DOCUMENT RESUME

ED 348 524 CE 061 745

AUTHOR	Bergner, Siegfried; And Others
TITLE	Country Studies on the Financing of Vocational Training with Particular Reference to Continuing Training for the Gainfully Employed: Focus 2.
INSTITUTION	European Centre for the Development of Vocational Training, Berlin (Germany).
REPORT NO	ISBN-92-826-3637-2
PUB DATE	91
NOTE	125p.
AVAILABLE FROM	UNIPUB, 4661-F Assembly Drive, Lanham, MD 20706-4391 (Catalogue No. HX-60-91-539-EN-C).
PUB TYPE	Reports - Research/Technical (143)
EDRS PRICE	MF01/PC05 Plus Postage.
DESCRIPTORS	*Continuing Education; *Corporate Education; Definitions; Developed Nations; *Educational Benefits; *Educational Finance; *Educational Trends; Foreign Countries; *On the Job Training; Postsecondary Education
IDENTIFIERS	*Germany

ABSTRACT

This report summarizes a study of the continuing training system for workers in Germany. It describes the instruments that have been developed in Germany for the organization and provision of continuing training, the groups of people concerned, and the costs involved. After defining continuing training and explaining its place within the overall system of vocational training in Chapter 1, the study considers four aspects in the following chapters. It begins by discussing the organization (the legal foundations and control mechanisms) of the employer-sponsored continuing training sector in Chapter 2. The main part of the study, summarized in Chapter 3, provides a quantitative overview of the whole continuing training sector and considers the availability and quality of data on this sector. The description of continuing training structures covers providers, objectives, contents, and participants. This is followed by a chapter on the cost and financing of continuing training. The final chapter considers a number of specific aspects and problems, such as the effects of demographic trends, problems relating to data collection, the integration of general and vocational continuing training, polarization tendencies throughout the system, and the measurement of efficiency in continuing training. The study includes 30 figures and 17 references. (KC)

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Country studies on the financing of vocational training with particular reference to continuing training for the gainfully employed

European Centre for the Development of Vocational Training

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Focus 2:
Country studies on the financing of vocational training with particular reference to continuing training for the gainfully employed

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First edition, Berlin 1991

Published by:

CEDEFOP — European Centre for the Development of Vocational Training
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The Centre was established by Regulation (EEC) No 337/75 of the Council of the European Communities

Cataloguing data can be found at the end of this publication

Luxembourg: Office for Official Publications of the European Communities, 1992

ISBN 92-826-3637-2

Catalogue number: HX-60-91-539-EN-C

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Printed in Belgium

PREFACE

After the studies on the financing of initial training in Belgium, Denmark, the Federal Republic of Germany, France, Ireland, Italy, the United Kingdom and the Netherlands (1982) and in Portugal and Spain (1988) CEDEFOP commissioned a series of studies on the financing of continuing training (FOCUS II) in Belgium, Denmark, Spain, the Federal Republic of Germany, France, Greece, Ireland, Italy, the United Kingdom, Netherlands and Portugal in 1988.

Analysing the range of continuing training is, of course, problematical and complicated by various factors:

- It is still difficult to make a clear distinction between initial and continuing training since many continuing training courses, for example, constitute initial training for some and updating training for others.

- Continuing training often comprises measures determined by the labour market situation, but there are also employer-sponsored and off-the-job activities which are difficult to classify and describe and certainly do not form part of a system that is organized in some way (unlike initial training).

- The term "training" has several meanings. Should, for example, a seminar held to inform employees about Community programmes always be classified as a training measure? Probably not, although participation in a seminar of this kind entails costs (loss of productivity) which have to be paid and could be justified by claiming that the seminar is a training measure.

- Continuing training measures are often financed from different sources; such forms of financing are not always transparent: how and where are the costs entered in the books when an employee is released for a time to attend a course which is run at the firm's

instigation and is split equally between the employee's working hours and his leisure time? How to classify publicly financed courses that an employee attends during his leisure time possibly on his employer's "recommendation"?

Firms do not always disclose continuing training costs, because they are sometimes reluctant to identify such expenses above a given level for fear of setting a precedent; in other cases training costs are entered under "purchase of equipment". Even where training costs are declared, they do not always include all indirect costs, such as loss of productivity and the cost of stand-ins.

Although transparency was CEDEFOP's goal in the FOCUS II studies, their authors had to contend with these and other difficulties. The information for the studies was obtained from the data available in the Member States, but present sources have many shortcomings, which still await rectification.

Nonetheless, the studies generally give us major insights into the level of relevant information available in the Member States and into certain fundamental aspects which must be considered when continuing training is examined. The studies should therefore be seen as consisting of basic material that may point the way for future studies in the Community on this subject rather than providing definitive and complete answers to all the questions.

QUESTIONS ARISING IN ALL THE STUDIES:

1. Definitions, concepts

The term "continuing training" covers different activities in the various countries, and these activities are also known by different names.

The differences are not entirely semantic: they usually reflect a complex situation in which education and vocational training are mixed and difficult to classify. Thus the distinction between education and training and between initial and continuing training is not clear in most countries.

The FOCUS II studies are an important (though not exhaustive) source of information on what is considered to be continuing training in the various countries. However, if comparisons are to be made, uniform terms and definitions must be agreed at Community level, and the abovementioned information may prove very helpful in this respect.

2. The sources of information

In the education sector there is now an information system at national and Community level which provides reliable data (although, here again, comparisons still pose problems). The gaps in the information on vocational training, on the other hand, are still too wide. If this is true of "organized" and institutionalized initial training, how much truer it must be of the "not specifically organized" forms of training, which tend to be more in the nature of training at the work-place and are gaining ground.

The problem is not, however, entirely due to the shortage of information on continuing training: even where databases exist (extensive data have already been gathered in certain countries), compatibility and assimilation problems hamper the systematic collection of reliable and comparable data.

Information may also be scattered if a country does not have a central records office.

These factors have had an impact on the scale and on the reliability and comparability of the data submitted. However, the FOCUS II

studies include lists of the main sources of information, which will also be of interest for future studies.

3. The collection of data

A study of the continuing training sector can be approached from various angles, e.g.

- financing instruments

An analysis of financing instruments is an essential means of obtaining information, since it reveals which continuing training measures receive funds and which target groups benefit from these funds. However, it also raises some fundamental questions: are there, for example, any statutory requirements, and if so, does the analysis of financing instruments extend only to the sector covered by these requirements, while ignoring other measures?

- target groups

One and the same course may mean initial training to one person and continuing training to another. Consequently, a distinction between continuing and initial training can also be made by reference to the specific individual. This approach is essential if a distinction is to be made between initial and continuing training. However, only part of the whole range of continuing training is then covered.

- continuing training providers and institutions

The institutions that provide initial and continuing training differ widely depending on tradition. Firms and professional associations are certainly among the most important providers of continuing training.

An analysis of the institutions that offer continuing training would undoubtedly produce a description of continuing training activities. Yet even this approach would not cover the whole continuing training sector and certainly not the "deinstitutionalized" courses that exist today in the shape of non-formalized training, where the focus is on the work situation.

The findings of analyses will thus vary with the approach chosen. Only a combination of the various methods of investigation produces a general picture that makes the trends in continuing training comprehensible.

The FOCUS II studies provide a rough overview of the information available for the various approaches and of the gaps that still exist. As, however, the information systems differ in the various countries, it was inevitable that the authors of these studies would approach the subject from different angles, which has, of course, influenced the findings and their interpretation.

4. Insights gained

All the studies include figures on expenditure on continuing training, which is highest in the public sector, less lavish in the private sector and lowest in the case of private households. The figures on private-sector spending in some countries are complete (though not always comparable), but in other cases only figures on certain sectors are available; in Belgium only three sectors were examined; in Portugal the survey covered 4,000 large, medium-sized and small firms. In other cases figures on firms are available only where they have received subsidies (Spain).

In these circumstances generalizations are misleading and dangerous.

How and on what scale funds are procured has not been investigated in depth in any of the studies.

It should be emphasized once again that familiarity with the background in each case is vital to an interpretation of the findings; there is financing from above (government), financing from below (e.g. from the regions, as in France), participation by institutions (as in Denmark) and mixed forms of financing. Such differences have influenced the figures and, of course, the interpretation, although CEDEFOP attempted when specifying the contents of the studies to ensure that the greatest possible degree of accuracy would be achieved and that data at all levels would be included, which was perhaps a little over-ambitious.

Where the statistical material was inadequate, some figures have been based on the authors' estimates and calculations in order to fill the gaps and also on earlier research and official sources of information.

The data on continuing training costs cannot, however, be interpreted in isolation. Almost all the studies show, for example, that expenditure on continuing training in the private sector is rising, but they do not describe the nature of these investments or their implications for firms and participants in training; it would be interesting, for instance, to know more about the nature and duration of training and about its distribution and the results achieved. Here again, the range of information provided in the FOCUS II studies varies for the reasons already given.

Although comparisons of and cross-references between the various sets of data are very risky in these circumstances, they are essential if the figures are to be interpreted.

The questions we have raised shed light on only part of the overall problem. We believe, however, that the FOCUS II studies form a good informa-

tion base and that the approaches to problem-solving they suggest may stimulate more comprehensive studies.

Although a great deal has yet to be done at both national and Community level, we hope this modest contribution will help to answer some of the questions.

Our thanks go to all the authors who, through their contributions to the studies and their participation in the working groups, have shed rather more light on the various problems connected with continuing training, a sector which is, as we know, still in its infancy.

Georges Dupont/Fernanda Reis
Project leaders
CEDEFOP

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1. The place of continuing training in the education system and the legal foundations

The study describes the instruments that have been developed in the Federal Republic of Germany for the organization and provision of continuing training, the groups of people concerned and the costs involved.

After defining continuing training and explaining its place within the overall system of vocational training, the study considers four aspects:

It begins by discussing the organization, i.e. the legal foundations and control mechanisms, of the employer-sponsored continuing training sector (Chapter 2).

The main part of the study gives a quantitative overview of the whole continuing training sector and considers the availability and quality of data on this sector. The description of continuing training structures covers providers, objectives, contents and participants (Chapter 3).

This is followed by a chapter on the cost and financing of continuing training (Chapter 4). The final chapter considers a number of specific aspects and problems, such as the effects of the demographic trend, problems relating to data collection, the integration of general and vocational continuing training, polarization tendencies throughout the system and the measurement of efficiency in continuing training (Chapter 5).

The aim of the study is to establish at what level of expenditure certain flows of people are achieved, with a view to ensuring that the funds are used effectively.

1.1 Definition of continuing training

Continuing training is the continuation or resumption of organized learning after an initial phase of training has been completed and a gainful activity has begun.

One criterion is that some time should normally have elapsed between basic, school education, possibly followed by initial vocational training, and the beginning of continuing training.

While, for example, intermediate-grade secondary school may be immediately followed by the sixth form at a grammar school and this may be followed by a university course, which cannot therefore be counted as continuing training, there must be some years of gainful activity between the completion of a course of initial technical/commercial training and a course of continuing training in, say, engineering.

Although such formal arrangements are the exception - access to continuing training courses is not normally subject to formal requirements - it is assumed that a period of indeterminate duration elapses between education at school and/or initial training and continuing training.

In general, continuing training is therefore "adult education" after compulsory education and is intended for people who have some experience of life and employment as well as a basic education and possibly initial training.

Of importance for the "philosophy" of the financing of continuing training is the assumption that the participants in continuing training can as a rule pay their own way either from their own income or because they have acquired rights (e.g. unemployment insurance).

1.2 Previous periods of education/training

Ideally, continuing training follows on from previous education/training and professional experience. We will therefore begin with a brief review of the system of initial training in the Federal Republic of Germany. Only a combined analysis of initial and continuing training reveals the total sums involved and the areas of main emphasis, this being particularly true of investment by the public authorities.

1.2.1 The initial training system

All children begin their education by attending primary schools for four years (six in Berlin). The system then divides into three or four streams of "general education":

- lower-grade secondary school (five years)

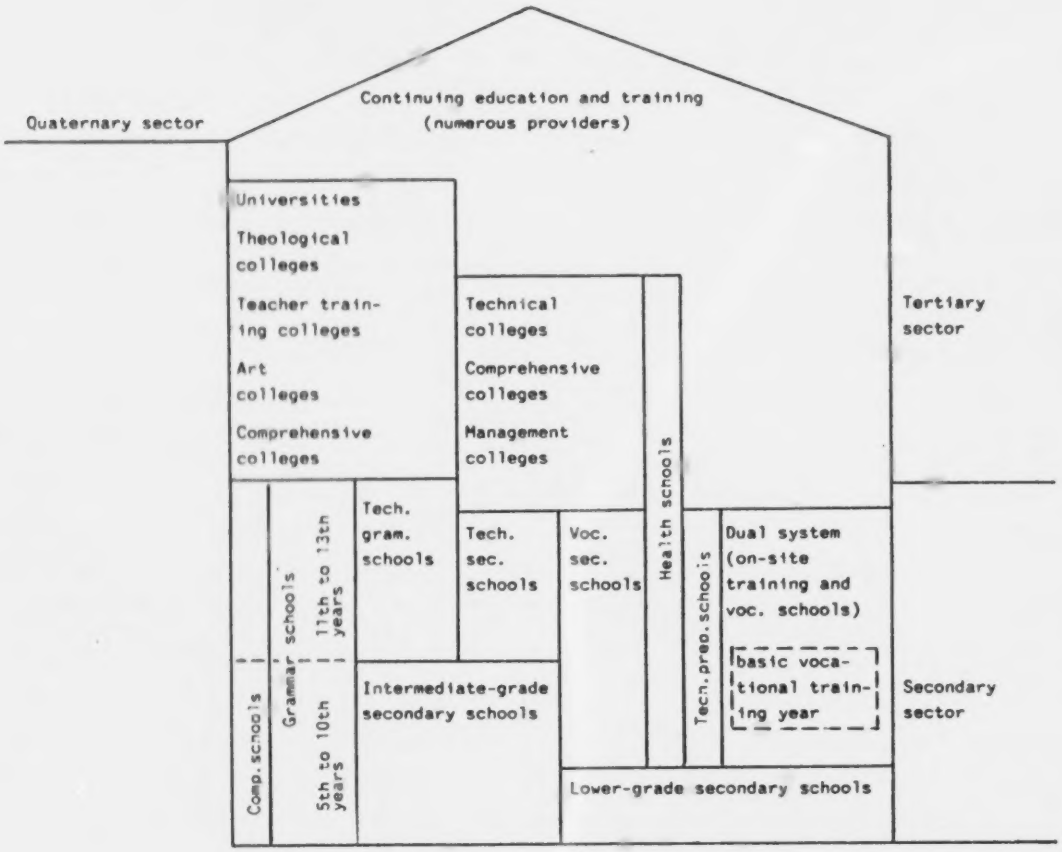
- intermediate-grade secondary school (six years)

- grammar school (nine years)

- comprehensive school (five to nine years).

Those who successfully complete their education at a grammar school or at the upper level of a comprehensive school are entitled to a place at a university. A differentiated system of special courses also enables those successfully completing their education at lower-grade and intermediate-grade secondary schools and at the lower secondary level of comprehensive schools to attend technical colleges and universities.

Figure 1: Basic structure of the education system in the Federal Republic of Germany, 1987



1.2.2 Brief description of the dual system

After completing their general education, most young people make the transition to the initial training system.

For most school-leavers (about 70%) this initial training is provided by the dual system.

The term "dual system" is used to describe a form of initial training in which the practical part takes place in a firm under the guidance of a trainer and state vocational schools are usually attended for one or two days a week for the theoretical aspects. The on-site part of the training is complemented, particularly in the craft trades, by one or more weeks of training at inter-company training centres where aspects with which individual firms cannot cope, or cannot cope optimally, are covered in greater depth.

Initial training is governed by a training agreement between the trainee and the firm providing the training. It can be provided in only one of 350 or so occupations recognized by the state. For each of these occupations there is a training regulation, which specifies minimum qualitative criteria. It is thus possible to state what a trained skilled worker in a given occupation should know and be able to do. A certificate in a recognized occupation thus performs an important guide function for the employment system.

The training regulations are drawn up by the two sides of industry and, after being scrutinized, enacted by the Federal Government.

1.2.3 Qualification structure of employees

Continuing training measures must be related to the qualification structure of the labour force. From an examination of the current situation it can be decided at which groups continuing training measures should first be aimed.

The statistics reveal a significant shift towards training by the dual system in the Federal Republic of Germany in recent decades. In particular, the proportion of those starting employment as semi-skilled or unskilled workers has fallen.

Figure 2: Qualification structure of the labour force (based on an empirical survey of some 30,000 employees carried out in 1979)

	Total population	15- to 20-year-olds
Initial training not completed	28%	21%
Initial training in a firm only	43%	56%
Initial training in a firm and at school	13%	12%
Initial training at school only	16%	11%
Total	100%	100%

Two of the many implications are also relevant to the development of the structure and content of continuing training:

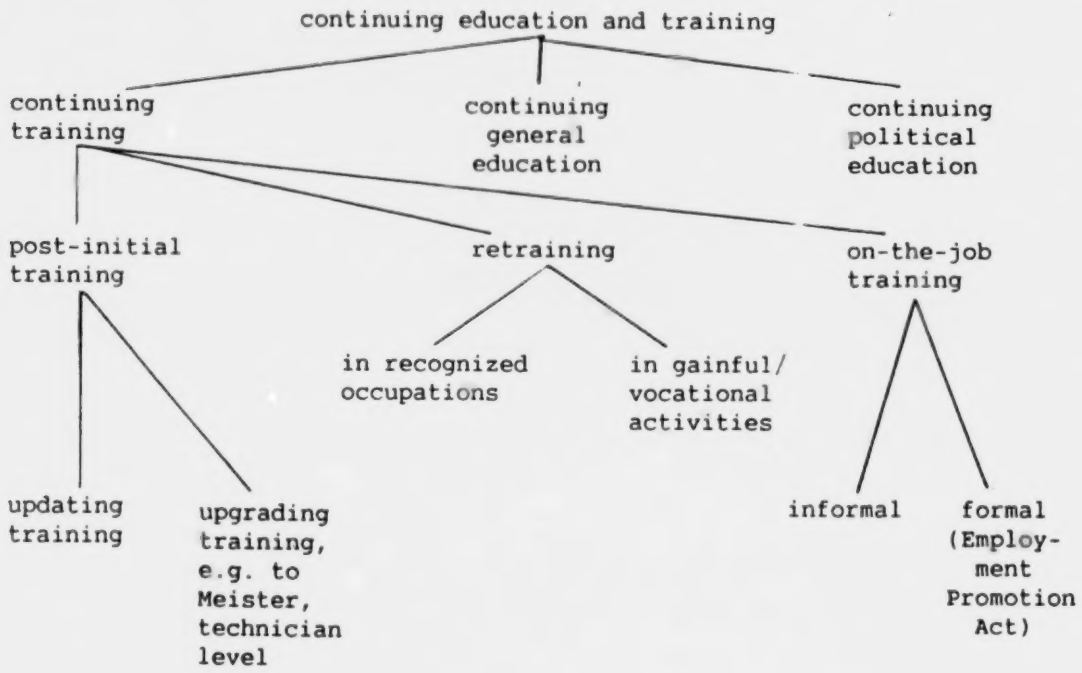
1. The average number of years of education before employment has risen by two to three in the last two decades. One reason for this is that the proportion of young people taking Abitur (A-levels) before beginning initial training in a firm more than doubled between 1984 and 1987 alone.

2. The growth of demand for initial training opportunities in the 1970s resulted in more people being trained in various occupations than the labour market was able to absorb. Consequently, many people are working in occupations for which they were not trained. This makes different demands on continuing training than, say, the training of semi-skilled or unskilled workers who have not completed any kind of initial training.

1.3 The position of continuing education and training in the education and training system

The continuing education and training sector comprises not only continuing training but also political education for adults and continuing general education (science, culture, health care, etc.). As continuing training and continuing political and general education are financed from

Figure 3: Breakdown of continuing education and training by objectives



different sources, they are generally provided by different bodies and institutions and have no institutional or substantive links.

About 50% of the total consists of continuing training, which is usually considered to include continuing training in foreign languages.

In continuing training a distinction is made by the objectives pursued:

- post-initial training seeks to maintain and add to occupational know-how and skills, to adjust them to technical developments (updating training) or to enable participants to achieve advancement (upgrading training);
- retraining is intended to permit the transition from an occupation which can no longer be pursued for personal reasons or reasons con-

nected with economic structures to another recognized occupation or to enable unskilled people to train for an occupation;

- on-the-job training introduces participants to a new activity and can be provided informally or on the basis of a teaching plan.

1.4 Features of the continuing education and training sector

A number of features distinguish continuing education and training from the school and university sector. They are summarized briefly here and described in detail in the next chapter.

Figure 4: Features of the continuing education and training sector

* DIVISION OF STATUTORY RESPONSIBILITIES BETWEEN THE FEDERAL AND LAND GOVERNMENTS

* VARIETY OF PROVIDERS

* FREE ENTERPRISE

* SUBSIDIARY ROLE OF THE STATE

* VARIOUSLY FORMALIZED COURSES

* EDUCATION AND PRACTICAL EXPERIENCE REQUIRED FOR ADMISSION

* Division of responsibilities between the Federal and Land governments

The Federal and Land governments are responsible for different aspects of continuing education and training: the Federal Government is responsible for non-school continuing training (e.g. all continuing training in

firms), the Länder for continuing training in schools and for continuing general and political training.

* Variety of providers

Continuing education and training courses are run by a wide range of bodies and their institutions. Besides the public bodies (e.g. central and local government), most are large social groups or associations (e.g. trade unions, employers, Churches), firms and private continuing education and training bodies.

* Free enterprise

In some areas of continuing education and training providers compete with one another; in organizing and providing continuing training private bodies enjoy some freedom without government control. Compared with the schools and universities, they are subject to fewer and less distinct legal provisions. However, in most sectors an open continuing education and training market exists only in name since major distortions are caused by subsidization, the lack of transparency and the formation of monopolies.

* Subsidiary role of the state

The state plays only a subsidiary role in this sector, i.e. it takes action only when the needs of society cannot be met by social groups, the private sector or individuals.

* Variously formalized courses

The general lack of legal provisions governing continuing training is evident, for example, from the fact that the range of courses available is dominated by measures which are not formally regulated and not de-

signed to lead to the award of certificates. Only a small proportion of courses lead to the award of certificates and qualifications. In addition, it is repeatedly pointed out that continuing education and training includes non-organized learning (e.g. the reading of specialist journals) as well as organized learning.

* Education and practical experience required for admission

Admission to many continuing education and training courses, particularly in the area of regulated upgrading training, presupposes not only the completion of an initial period of education but also evidence of practical experience (as in the case of continuing training leading to Meister status). Continuing education and training relies on work to be a good educator.

2. Structure of the continuing training sector

2.1 Legal foundations of continuing training

While legislation on the school and university sector is the responsibility of the Länder, since they are independent in matters of education and culture, the Federal Government derives its authority to regulate and organize vocational training (initial and continuing) from its responsibility for law relating to economic matters and for labour law (Article 74(11) and (12) of the Basic Law).

In addition, the two sides of industry may agree on arrangements that are valid in their sphere of responsibility.

2.1.1 Federal legislation

Federal legislation on continuing training is largely directed at individuals: it gives them legal or financial rights or protection as consumers. The regulations and Acts concerned are not as a rule aimed at continuing training institutions.

- The Vocational Training Act:

Passed by the German Bundestag in 1969, the Vocational Training Act governs non-school continuing training (sections 46 and 47). To this end, it empowers the chambers of commerce, industry, crafts, etc. ("competent agencies") to issue examination regulations on the basis of which examinations may be taken and certificates awarded. These certificates enable successful examinees to enforce claims for a given level of remuneration. The Act sets out only the requirements which the examinee must satisfy during the examination, not the way in which he must prepare for the examination. To ensure "uniform post-initial training" (at Federal level) if the chambers do not take action, the Federal Government may issue its own regulations on post-initial training. Unlike the chambers, it normally stipulates in such cases not only the form to be taken by the examination but also the content and duration of the training itself, i.e. it draws up teaching plans similar to school curricula.

At present there are about 1,100 regulations on post-initial training, 900 of which have been issued by the "competent agencies". However, as many chambers have issued regulations which are identical in content, they govern only about 190 different sectors. The associations of the chambers (e.g. the German Industrial and Trade Association) encourage the standardization of regulations. Of the 170 or so regulations on post-initial training issued by the Federal Government, 150 concern "Meister" (e.g. in the crafts, agriculture and industry). The others relate to various sectors, particularly in the construction and chemical industries.

- The Employment Promotion Act (AFG):

Similarly passed in 1969, this Act principally governs financial assistance provided by the employment services for participation in continuing training. Participants are assisted either by having all or part of the course fee refunded to them or by being sent to courses which are entirely funded by the employment services. While attending a full-time course of post-initial training, they are also paid a maintenance allowance in grant or loan form equivalent to 68% (if married, 73%) of their last net wage.

Under the Employment Promotion Act continuing training institutions can also obtain - limited - grants for equipment and buildings ("institutional assistance").

- The Distance Study (Protection of Participants) Act:

This Act, which was passed in 1976, is designed to protect consumers. It governs the form and content of (purchase) contracts concluded by distance study institutions and participants and the minimum qualitative requirements to be satisfied by the content of distance study courses and the methods used. All such courses must be recognized and licensed by a government agency (the Central Government Office for Distance Studies - ZFU). Unlicensed distance study courses may not be advertised.

There is no provision for distance study institutions to be assisted by the state. However, assistance can be obtained for participation in distance study courses under the Employment Promotion Act.

2.1.2 Legislation of the Länder

The organization and financing of institutes of education are governed by Acts passed by the Länder (exception: Acts concerning educational leave).

The scope of the legislation varies: while the content, duration and aims of courses offered by schools are specified, only continuing training institutions normally have to do no more than satisfy a few requirements to qualify for financial assistance (see section 2.3).

The supply side is regulated only inasmuch as the assistance provided for courses varies: political education courses are more heavily subsidized than courses of continuing training in vocational or leisure activities.

- The Education Acts:

  Where continuing training is provided in schools (e.g. training leading to the award of state certificates in engineering, business management and domestic science), each Land specifies the content, duration and form of the course through its Education Ministry. As a rule, the successful completion of such courses of continuing training leads to a higher classification on the collectively agreed wage or salary scale.

- The Continuing Education and Training Acts:

  Although these Acts principally govern assistance for continuing education measures, the institutions (e.g. adult education centres) assisted also offer continuing training courses, e.g. language courses leading to final certificates which can be used in employment.

  Assistance is provided to cover such basic items as the cost of equipping institutions and the personnel costs associated with full-time employees and other costs incurred in the running of continuing education and training courses, the amount of the subsidy depending on the nature of the course. Thus courses run to enable people to resit final secondary school examinations are funded in full in some Länder, while 80% of the cost of courses of political education and less than 50% of the cost of courses in leisure activities is met.

The Acts have no influence on the content of the various courses, which are planned and run by the institutions or bodies concerned on their own responsibility.

- The Educational Leave Acts:

Six of the eleven Länder have legislation which guarantees employees five (in Lower Saxony four) days of educational leave a year to attend courses of vocational training or political education.

During this period the employer continues to pay the wage or salary. It is, however, for the employee alone to choose the course he wants to attend. Courses of political education are normally subsidized by the state, whereas the fees for continuing training courses must be paid largely or entirely by the participants.

Courses and, in some Länder, organizers must be recognized by the appropriate government authority as satisfying the statutory requirements. Each year about 2% of all employees take advantage of their right to educational leave.

2.1.3 Non-governmental arrangements

2.1.3.1 Arrangements made by associations and sectors

Some sectors have developed their own systems for training skilled employees for their own needs.

An example is the banking and insurance sector: employees are offered a graded system of continuing training, which builds on their initial training and is designed to enable them to rise to management levels even if they have not attended a university. These arrangements are based on agreements among the employers. Within the sector successful training leads to improvements in collectively agreed pay.

Binding arrangements are also made for certain activities, such as the training of welders: the requirements to be met by welders are specified by a central body made up of employers' representatives and independent people. The firms participating in such schemes undertake to ensure that work of this type is performed only by people who can prove that they have had appropriate training. Here again, proof of qualification results in certain collectively agreed payments.

2.1.3.2 Arrangements made by the parties to collective agreements

Collectively agreed arrangements relating to continuing training can be broken down into the following types:

- **Release and financing arrangements, "educational leave arrangements"**

  At present over 200 collective agreements and company agreements include arrangements for the release of employees from their work for training purposes. Only a small proportion of these agreements, however, rise to the level of the statutory educational leave arrangements of the Länder as regards, say, the length of time that may be taken off.

- **Continuing training under rationalization safeguard agreements or in connection with social plans**

  Several rationalization safeguard agreements specify the scale on which employees whose jobs are affected by technical innovations are to be retrained or undergo continuing training. These arrangements concern specific cases or processes of adaptation in certain sectors; the adaptation measures apply for a given period. As most of the employees concerned are in immediate danger of losing their jobs, the costs they incur are completely or partly refunded by the Federal Institute of Labour.

- **Continuing training as part of work under collective training agreements**

"Collective training agreements" can be seen as a new generation of arrangements. They are comprehensive, preventive concepts for training as part of humanized work and technology. The aim is to provide cohesive arrangements for the following problem areas:

- the employee's right to paid continuing training during working hours and throughout his working life,

- an improvement in the work council's right to a say in the running of continuing training,

- the organization of work (technology and job design), the aim being to give employees incentives to raise their skill level while at work, not least as a means of counteracting the division of labour,

- the linking of participation in continuing training to wage and salary questions.

Collectively agreed arrangements that can be regarded as models where these ideas are concerned are:

- the collective agreement of March 1987 on social safeguards for employees when technology or the organization of work changes (parties to the agreement: Volkswagen/Metal-workers Union),

- the collective agreement of April 1987 on work-related continuing training in the heating, air-conditioning and plumbing sector (Guild for Plumbing, Heating and Air Conditioning Technology, Berlin/Metal-workers Union),

- the framework collective agreement of February 1988 on the wages and salaries of employees in the metal industry in North

Württemberg/North Baden (Baden-Württemberg Association of the Metal Industry/Metal-workers Union).

2.1.4 Scale of regulation

The content and duration of upgrading training, retraining and retaken initial training courses are governed by Acts, regulations or agreements between the parties to collective agreements, since the successful completion of such training is usually followed by entitlements under collective agreements and social welfare legislation.

Although the Vocational Training Act provides for updating training to be regulated in the same way, advantage is less frequently taken of this possibility. The providers of continuing training are thus free to organize their courses as they will.

2.2 Continuing training providers and institutions

2.2.1 General conditions governing continuing training

The institutional structure of continuing training is characterized

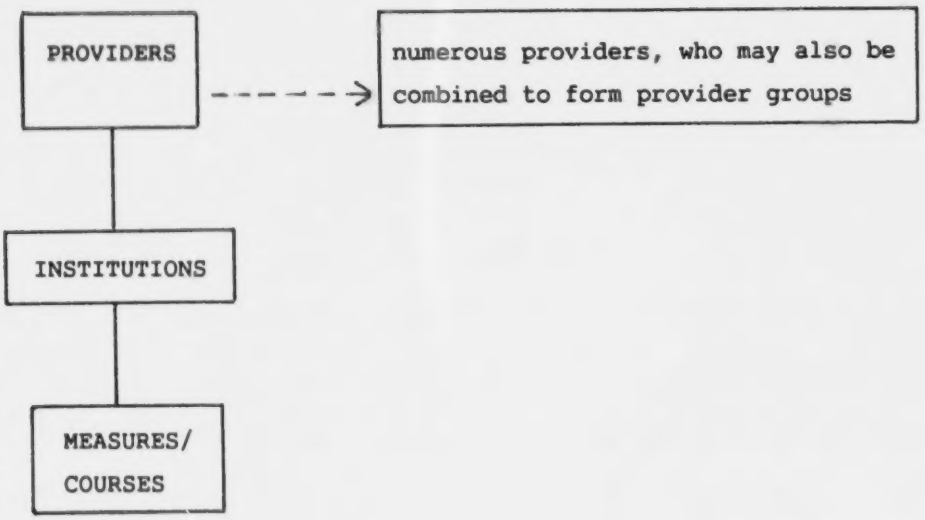
(1) horizontally:

by a wide range of providers and groups of providers

(2) vertically:

by an organizational structure at three levels:

provider - institution - course/measure



For the continuing training of members or interested parties "providers", e.g. chambers of commerce, industry, the crafts, etc., such large social groups as political parties and associations and firms, have established "institutions" in which "continuing training measures/courses" take place.

The institutions thus decide on the content, form and duration of the measures and the final examinations to be taken, employ the staff and ensure that everything is properly organized. They receive financial assistance either directly if they are assisted or as the organizers of measures if the measures are assisted.

The "providers" establish the framework for the continuing training courses run by the "institution". As a rule they are representatives of specific social or economic interests, which their "institutions" must respect.

Where they have interests in common, providers may be combined to form "provider groups", e.g.

employees
employers
professional associations
local authorities
political parties
firms
Churches.

Each of these provider groups is organizationally and financially responsible for certain, in many cases supraregional, individual providers. Thus in the "employee" provider group the Federation of German Trade Unions (DGB) is responsible for the "Post-initial Training Centre of the DGB" and the Union of German Salaried Employees for the "German Academy for Salaried Employees", both of which maintain numerous regional institutions.

Mixed forms are also possible, an example being "Work and Life", a provider of political education, in which the DGB cooperates with the adult education centres, whose providers are the local authorities.

"Providers" and "institutions" are barely distinguishable in cases where a provider has only one institution.

2.2.2 Special position of firms as providers of continuing training

Under the Constitution the training of workers is the task of trade and industry. This task covers continuing training as well as initial training.

Employer-sponsored continuing training means both post-initial training planned and carried out within firms and training provided at off-the-job institutions for firms and financed by them.

According to a 1985 survey on continuing education and training, half of all continuing training takes place within firms or at their instigation (see Chapter 3).

Employer-sponsored continuing training differs significantly from other types of continuing training in that

- the target group consists predominantly of employees above skilled worker level, i.e. technical and commercial managers;

- most of the courses last less than a week;

- as employer-sponsored continuing training courses do not as a rule lead to the award of a generally recognized certificate, they are largely relevant only to the firm concerned.

Only large companies and firms at the upper end of the medium-sized bracket have their own staff to provide continuing training. For small firms, particularly in the craft sector, this task is performed by joint institutions run by their associations (e.g. the guilds).

The aims and content of employer-sponsored continuing training are determined by the firm's management. The Labour-Management Relations Act (sections 96 to 98) provides for the involvement of employees' representatives. They may put forward proposals concerning continuing training, by which the employer is not, however, bound. The works council does, on the other hand, have a right to a say in the selection of participants and instructors, in the content of employer-sponsored continuing training courses and in the award of certificates.

2.3 Free enterprise in the continuing training sector

The majority of continuing training institutions in the areas of post-initial training and retraining are firms whose sole or predominant pur-

pose is the provision of continuing training. Depending on the provider, they are required to break even or make a profit.

As there is neither a special form of licensing or recognition of these training organizers nor any central or regional planning that might restrict the number of institutions, they compete with one another in many places. Given that the state is also reluctant to become involved in the development and expansion of the continuing training sector, it is thus possible to speak of "free enterprise" in this sector.

A market can be assumed to function when quality and quantity are governed by supply and demand. If a process of this kind is to function, supply must be transparent and interested parties must have the economic capacity to influence market activities.

2.3.1 Transparency and quality of supply

Where institutions do not receive funds from the Federal Institute of Labour, firms or the state, the quality of what they supply is not subject to external examination.

The organizers of distance studies are an exception. Their courses must be officially sanctioned, which also entails verification of the teaching staff's qualifications.

As non-government institutions are not subject to public monitoring, the transparency of supply is not assured.

Roughly half of all continuing training courses, especially language courses, are run by institutions which are funded entirely from fees and cannot therefore be monitored by the state, employment services, chambers, trade unions or firms.

A "List of Approved Vocational Training Courses" for which participants can obtain assistance from the Federal Institute of Labour was first compiled in 1975 by this institute in cooperation with the Federal Institute for Vocational Training pursuant to section 34 of the Employment Promotion Act.

In the latter half of the 1980s this list led to the establishment of a procedure which does not concern specific continuing training courses but seeks to influence them at the development stage. This revision was prompted by the fact that, while the Federal Institute of Labour had to make major savings, it wanted to avoid the risk of only being able to assist participation in "cheap courses".

The main feature of the concept introduced in 1987/88 is that quality is given precedence over expenditure:

> The criteria relating to courses and providers must be satisfied before the price of a course is considered. The required standards are not to be lowered in exchange for price concessions or overfulfilment of other criteria. Savings must on no account be made at the expense of this "minimum quality" (Federal Institute of Labour Circular 66/87 of 8 July 1987).

In 1989 the quality requirements were defined even more accurately, and those to be met by individual courses (workshop and classroom equipment, appropriate methods, etc.) were joined by criteria to be satisfied by the organizer:

> "The teaching staff employed by providers of continuing training courses must have appropriate technical and teaching skills. As a rule they should be able to show that they have at least two years' experience in vocational training.
>
> The expertise, reliability and capabilities of managers and teaching staff must be such that vocational training can be expected to be suc-

cessful. Providers must ensure that their teaching staff have appropriate teaching and technical skills by undergoing suitable continuing training.

The ratio of full-time to part-time teaching staff must be appropriate to the syllabus and the participants' training interests and especially to the target groups and the required standard of quality.

The working conditions of the staff must not contravene collective agreements, they must satisfy the requirements of labour legislation, and they must ensure that courses proceed smoothly" (Principles of the Federal Institute of Labour for ensuring the success of the promotion of further vocational training and retraining, Circular 28/89 of 22 February 1989).

A general method of assessing continuing training courses in terms of the "success" achieved by participants has yet to be devised. Complete transparency of supply is not therefore possible.

The first signs of transparency are to be seen in regional inventories of continuing training courses. As these regional "continuing training databases" or "continuing training information systems" provide information on the content, duration and cost of the various courses, the certificates awarded and the assistance that can be obtained, they permit an initial comparison. Hamburg has systems of this kind for all aspects of continuing education and training, Berlin and Bavaria for courses of continuing training (incomplete) and North Rhine-Westphalia and Schleswig-Holstein for certain subject areas (especially data processing). Regional databases and a nationwide database are being developed (see section 3.1.3).

There is no transparency as regards the quality of actual training or the employment prospects of successful participants.

A further obstacle to statements on the quality of training is that there is as yet no occupational profile - or specific training - for continuing training staff. What further training of instructors there is takes place within the various continuing training institutions. Courses run by universities, for example, for the staff of several institutions and providers are the exception.

Advice on continuing training can be obtained in a few cities, usually from an information centre. Hamburg has developed a system of on-the-spot counselling: counselling centres have been set up at specific social black spots in cooperation with the employment services to persuade the unemployed in particular to undergo post-initial training appropriate to their personal circumstances.

2.3.2 Subsidiary role of the state

In principle the law is based on the assumption that the two sides of industry are responsible for arranging the training of the labour force. Thus the vocational training committees of the chambers of commerce, industry, the crafts, etc., on which employers and employees are represented in equal numbers, are primarily responsible for the organization of continuing training.

The two sides of industry also provide two thirds of the members of the governing bodies of the employment services - the Federal Institute of Labour, the central employment offices of the Länder and the local employment offices - in which decisions are taken on the form that the promotion of post-initial training and retraining should take (the remaining members represent Federal, Land and local government).

For employer-sponsored continuing training the Labour-Management Relations Act sets out procedural principles designed to enable employers and employees to agree on a joint post-initial training programme.

However, where the successful completion of a course of post-initial training is associated with entitlements under social welfare legislation, such training and the outcome are subject to government or public law provisions (example: as a rule an unemployed person forfeits his claim to unemployment benefit if he does not accept a job offered by the employment office. On the other hand, a Meister who loses his job has a right to be placed in an equivalent job; where no such job is available, he retains his right to unemployment benefit even if he does not accept another job for which he would be overqualified).

Given this restriction of the state to a few specific arrangements and the general creation of an appropriate environment, it seems justified to speak of a "regulated market" in continuing training:

(1) Rules are laid down by the Federal Government or the chambers and by the education authorities of the Länder on continuing training courses and certificates which result in entitlements or improved employment prospects in the labour market. The rules apply only to courses lasting longer than 200 hours or examinations normally requiring at least the same amount of preparation. The employers and trade unions are involved in the formulation of the requirements to be satisfied by these courses and certificates, which increases both the willingness of employees to attend them and their prospects of subsequent employment and improved remuneration.

(2) As employees prefer such "regulated continuing training" to non-regulated courses because of the associated prospects and as employers prefer people who have completed such courses, the continuing training institutions offer them and so submit themselves indirectly to public monitoring. They are often the instigators of new post-initial training arrangements.

On the other hand, the duration of these "regulated" courses and the stringency of the associated requirements are an obstacle to participation. Sections of such courses are therefore offered as separate

- shorter - courses. The institutions also develop courses of their own, which they offer on the open market. The suitability, topicality, quality or other aspects of these courses are not subject to government or other monitoring.

(3) The employment services provide assistance only for attendance of courses which they themselves have commissioned and courses which are considered suitable by the quality criteria which they establish (see section 2.3.1). The continuing training institutions therefore attempt to satisfy these criteria, because only then can they attract participants who depend on financial assistance received from the employment services.

Professional associations and sectors of trade and industry also lay down rules on certain types of training.

Language courses in particular are not on the whole subject to uniform rules or to any generally recognized qualitative assessment - the exceptions being courses that prepare participants for specific occupations (e.g. foreign correspondence clerks), adult education centre courses that lead to the award of certificates and courses in which internationally recognized certificates can be obtained.

At present some 1,100 courses and examinations are "governed" by regulations, decrees or agreements. This is equivalent to about 10% of all continuing training courses on offer.

The juxtaposition of employer-sponsored continuing training, individual continuing training, continuing training assisted and monitored by the employment services and continuing training provided by the state in its own schools or in schools it recognizes has led to the emergence of "market segments", which differ in certain respects (see section 3.2).

3. Quantitative overview of continuing training

There are no official statistics on continuing training in the Federal Republic of Germany. A quantitative survey must be based on different sources of data, the most important of which are itemized in the following. On this basis the structures of continuing training and the features of the most important segments are then described. Problems connected with the availability or lack of data and approaches to improving the situation are also discussed.

3.1 Overview of the sources of data and information

The most important sources of data and information on continuing training include

- statistics on assistance provided by the Federal Institute of Labour, the examinations held by the chambers and the activities of the training providers/institutions
- sample surveys of continuing training undertaken by individuals and
- documentation on continuing training courses.

3.1.1 Statistics

Figures 5a, 5b and 5c show numbers of participants obtained from various sets of statistics.

Figure 5a: Statistics of the Federal Institute of Labour on cost units and assistance provided

Assistance provided for continuing training (including rehabilitation) under the Employment Promotion Act, 1985 to 1988

	1985	1986	1987	1988
* Continuing training				
- Enrolments in courses	409,324	530,042	596,354	565,611
- Participants	245,760	308,061	346,085	361,505
* Rehabilitation				
- Enrolments in training courses (excluding initial training)	53,843	60,053	67,637	

Sources:

- Federal Institute of Labour (ed.): "Förderung der beruflichen Weiterbildung". Ergebnisse der Teilnehmerstatistik über berufliche Fortbildung, Umschulung und Einarbeitung, Nuremberg 1986 et seqq.; "Berufliche Rehabilitation", Arbeits- und Berufsförderung Behinderter, Nuremberg 1986 et seqq.

- Figure 5a: The statistics of the Federal Institute of Labour on cost units and assistance relate to individual cases of assistance provided for continuing training under the Employment Promotion Act (see Figure 19 for a detailed overview of the trend in numbers of participants) and training measures in the context of employment promotion and retraining for the disabled. The statistics make a distinction between the number of enrolments in courses and the number of participants. They also provide a comprehensive overview of numerous features in the area they cover; time series can be formed and regional comparisons made.

Figure 5b: Statistics on training providers/institutions

Participants in continuing training schemes/courses by providers/institutions, 1985 to 1987

	1985	1986	1987
* Inter-company continuing training[1]			
- Chambers of industry and commerce, including the German Industrial and Trade Association (DIHT)	155,536	183,840	256,205
- Central Association of German Crafts (ZDH) (chambers of crafts, trade associations, guilds)	227,167	242,332	244,467
- Chambers of agriculture			187,015
- Federal Union of Employers' Associations/ Confederation of German Industry (BDA/BDI) (excluding trade)			174,586
- Retail, wholesale and foreign trade			91,300
- Federal Association of German Industrial and Agricultural Credit Cooperatives			78,625
- Savings, Banks and Giro Association			58,366
- Central Association of the Road Transport Industry (ZAV)			14,779
- Board of German Industry for Vocational Training			719
- Wuppertal Circle (German Association for the Promotion of the Continuing Training of Managers) (where not included under BDA/BDI)			137,667
- Institute of German Industry			5,118
- Academies of Administration and Economics			45,323
* Trade union providers			
- Post-initial Training Centre (DGB)	51,119	56,322	58,765
- Training Centre of the Union of German Salaried Employees (DAG)	68,146	68,696	71,537
* Adult education centres	720,000[2]	780,000[2]	
* Distance study institutes	53,000[3]	54,000[3]	55,000[3]
* Firms (as providers) and other private providers	not known		
* Further vocational training schools			
- Specialized schools (e.g. for Meister and technicians)	90,686	90,631	
- Health service schools		111,660	111,182

1 Excluding participation in special lectures
2 15% of enrolments at adult education centres
3 60% of distance study courses

Sources used for Figure 5b:

- German Industrial and Trade Association (ed.): Überbetriebliche Weiterbildung der Wirtschaft 1987, hectographed documents, Bonn 1988

- German Industrial and Trade Association (ed.): "Berufs- und Weiterbildung", Bonn 1986 et seq.; "Berufsbildung, Weiterbildung, Bildungspolitik 1987/88", Bonn 1988

- Central Association of German Crafts (ed.): "Handwerk", Bonn 1986 et seqq.

- Vocational Training Centre of the DGB (ed.): "Informationen zum Geschäftsjahr", Düsseldorf 1985 et seqq.

- Union of German Salaried Employees (ed.): "Bildungseinrichtungen der DAG", Annual Reports, Hamburg 1985 et seqq.

- Federal Statistics Office (ed.): "Bildung im Zahlenspiegel", Stuttgart and Mainz 1986 et seqq.; Fachserie 11, Bildung und Kultur, Reihe 2, Berufliche Schulen, Stuttgart and Mainz 1986

- Figure 5b: As the statistics on training providers/institutions are extremely varied, where they exist at all, comparisons are either impossible or limited to a small number of features. The available statistics reveal the total numbers of courses and participants in only a few cases. In particular, there are no data on the continuing training activities of firms. A problem yet to be solved in keeping statistics on firms' activities is how to make an accurate calculation of implicit training processes that form part of the work process. In the statistics on some providers (e.g. adult education centres, distance study institutes) it is difficult to determine whether participants and courses should be entered under continuing training or continuing education.

Figure 5c: Statistics on examinations held by the chambers

Participants in examinations, 1985 to 1987

	1985	1986	1987
* Chambers of industry and commerce			
- commercial	44,546	44,987	51,168
- Meister, technicians	9,867	12,081	13,656
* Chambers of the crafts			
- Meister	41,213	43,656	
- post-initial training examinations under the Vocational Training Act/ Crafts Code	1,487	2,152	
* Chambers of agriculture and others	7,441	7,965	

Sources:

- German Industrial and Trade Association (ed.): "Berufs- und Weiterbildung", Bonn 1986 et seq.; "Berufsbildung, Weiterbildung, Bildungspolitik 1987/88", Bonn 1988
- Central Association of German Crafts (ed.): "Handwerk", Bonn 1986 et seqq.
- Federal Statistics Office (ed.): "Bildung im Zahlenspiegel", Stuttgart and Mainz 1986 et seqq.

- Figure 5c: The statistics on examinations held by the chambers show the number of participants wanting to complete their continuing training with a recognized certificate (for the success rate see section 3.2.5).

3.1.2 Sample surveys

Figure 6 shows the number of participants in continuing training as revealed by the findings of three sample surveys (microcensus, surveys by the Federal Institute for Vocational Training/Institute for Labour Market and Occupational Research (BIBB/IAB) and the system of reports on participation in continuing training), which, having been conducted at regular intervals, permit a comparison over time.

Figure 6: Participants in continuing training courses as revealed by sample surveys, 1979 to 1985

	1979	1982	1985
Microcensus Base: gainfully employed Germans (aged 15 to 65)		1980-1982 1.9 million (6.7% of gainfully employed)	1983-1985 3.2 million (11.1% of gainfully employed)
BIBB/IAB surveys Base: gainfully employed Germans (aged 15 to 65)	1974-1979 4.4 million (20% of gainfully employed)		1980-1985 4.8 million (23% of gainfully employed)
System of reports on participation in continuing training Base: population (aged 19 to 65)	3.2 million (10% of population)	4.0 million (12% of population)	4.0 million (12% of population)

Sources:

- Federal Statistics Office (ed.): "Bildung im Zahlenspiegel", Stuttgart and Mainz 1986 et seqq.
- BIBB/IAB (eds): Qualifikation und Berufsverlauf. Erste Ergebnisse einer repräsentativen Erhebung bei Erwerbspersonen in der Bundesrepublik Deutschland, special publication, Berlin 1981
- BIBB/IAB (eds): Neue Technologien, Verbreitungsgrad, Qualifikation und Arbeitsbedingungen - Analysen aus der BIBB/IAB Erhebung 1985/86 - Beitr. AB 118, Nuremberg 1987
- Federal Ministry of Education and Science (ed.): Berichtssystem Weiterbildungsverhalten 1985, in: Schriftenreihe Bildung, Wissenschaft Aktuell, No. 7, 1987, Bonn

In a comparison over time all three surveys reveal an increase in the number of participants in continuing training. However, their findings cannot be compared because of the differences in the definition of the groups interviewed. In the BIBB/IAB surveys, for example, the restriction to "gainfully employed Germans" means that they do not cover the participation in continuing training of either the unemployed or foreign workers. The differences in the findings can also be ascribed to differences in the definitions of continuing training concepts and to different survey methods.

3.1.3 Documentation on courses

Other sources of data and information used for the description of continuing training are the numerous supraregional and regional registers, some of which are in the form of databases or are currently being developed into databases. Documentation on courses not only makes it easier to gain an insight into the continuing training markets: it also provides information on the nature and scale of the present continuing training structure.

Among the most important supraregional, nationwide registers are:

- Vocational Training Institutions (EBB)

  This register is published annually by the Federal Institute of Labour for its advisory services and includes many of the continuing training courses available throughout the country; the information on each course is entered under 30 headwords.

- Catalogue of Distance Study Courses in the Federal Republic of Germany

  This catalogue is published jointly by the Federal Institute for Vocational Training and the Central Government Office for Distance Studies. It covers all distance study courses. A uniform system of headwords is used to describe the various courses.

Other supraregional registers, like those published by the Federal Institute for Vocational Training, cover specific fields (e.g. commercial computer science, technical computer science, commercial continuing training). Regional registers in the form of continuing training databases have also been gaining in importance in recent years (see section 2.3.1).

3.1.4 The information problem

For many years the situation outlined above has been criticized by almost everyone involved in continuing training.

The available statistics on training providers, the sample surveys of participation by individuals in continuing training and the registers or databases are not detailed enough for the increasingly important continuing training sector to be properly understood and structured. The criticism of the present situation specifically concerns the following aspects:

- As the statistics kept by training providers, examining bodies and the Federal Institute of Labour as cost units overlap, they cannot be combined for an appraisal of continuing training; in addition, the statistics on employer-sponsored continuing training, the main area of continuing training, are inadequate.

- The sample surveys of participation by individuals in continuing training enable statements to be made on continuing training only from the angle of the target groups of or participants in continuing training measures; the small size of the samples precludes valid statements on specific aspects of continuing training in many cases. Different definitions of continuing training concepts, survey methods and interviewees make comparisons of the findings of various studies impossible.

- Although the registers of courses and the databases provide an insight into the features of courses and providers, they do not give any information on courses actually run or on the number and breakdown of participants.

In the debate on the improvement of information on the continuing training sector (e.g. through the introduction of official nationwide continuing training statistics) opinions differ principally on the role the state should play in the organization of continuing training. The view that is gradually gaining ground is that, even if the state is not actively involved, it needs information on continuing training to be able to plan and take action: even if it plays no more than a subsidiary role in continuing training, it must have reliable data and information, not least so that it can justify its need to take action or its failure to do so. It needs data and information, for example, to be in a position to

- achieve and ensure market transparency for the supply side and the demand side,
- recognize regional disparities and segmentation in participation in continuing training,
- lay foundations for counselling on continuing training,
- evaluate the achievement of continuing training policy targets,
- make international comparisons of continuing training (see GNAHS 1987, 343).

3.1.5 Approaches to improving the situation

The most important approach to achieving a lasting improvement in the statistics on continuing training in the Federal Republic of Germany must be seen as the "development of a coordinated data and survey concept for the continuing training sector at Federal level". This statistical "core programme" was developed in the early 1980s for the Federal Ministry of Education and Science as the basis for a voluntary system of statistics on continuing training to be kept by providers. The aim of this core programme is to expand the business statistics currently kept by pro-

viders and to standardize them by compiling a common list of features so that comparisons may be made. At present this common statistical core programme is used by only a few providers; many of the statistics kept by providers do not yet meet the requirements of the core programme.

Given the situation outlined here, the following approaches can be taken to improving the statistics on continuing training (see Federal Ministry of Education and Science (ed), Berufsbildungsbericht 1988, p. 128):

* The core programme is particularly suitable for statistics on inter-company continuing training; its survey concept enables providers or institutions to keep records on participants on the basis of a standard set of features. However, the core programme can produce meaningful results only if
  - its breakdown into subject headings is updated to enable continuing training in the new technologies to be covered and
  - it is accepted by far more training providers than is currently the case (e.g. following appeals and incentives).

* Information on employer-sponsored continuing training calls for regular sample surveys, since there is no question of complete statistics on continuing training of this kind being compiled through surveys of all firms. The programme of surveys of employer-sponsored continuing training should be coordinated as far as possible with the programme for off-the-job continuing training.

* To enable statistics to be kept on and descriptions made of employer-sponsored and off-the-job continuing training, sample surveys of the participation of individuals in continuing training should be conducted. Both the microcensus and the reports on participation in continuing training, of which there have so far been four (1979, 1982, 1985, 1988), can serve as a basis.

3.2 Structures of continuing training and features of the various segments

As the description so far has already shown, continuing training is an extremely varied sector. The following overview, which describes this sector from a quantitative angle, is therefore based on a structure model that has been simplified to make it easier for the reader to find his bearings. Figure 7 shows the most important segments of continuing training (including areas where they overlap); they are

- continuing training which is assisted under the Employment Promotion Act and largely depends on demand from the Federal Institute of Labour and employment offices for training measures,
- employer-sponsored continuing training, where firms act as suppliers of continuing training to their employees and also require outside resources where they do not have an (adequate) continuing training infrastructure of their own,
- individual continuing training, where individuals seek training courses on their own initiative.

Clear lines cannot be drawn between these segments of continuing training: they overlap to varying degrees (see Figure 7):

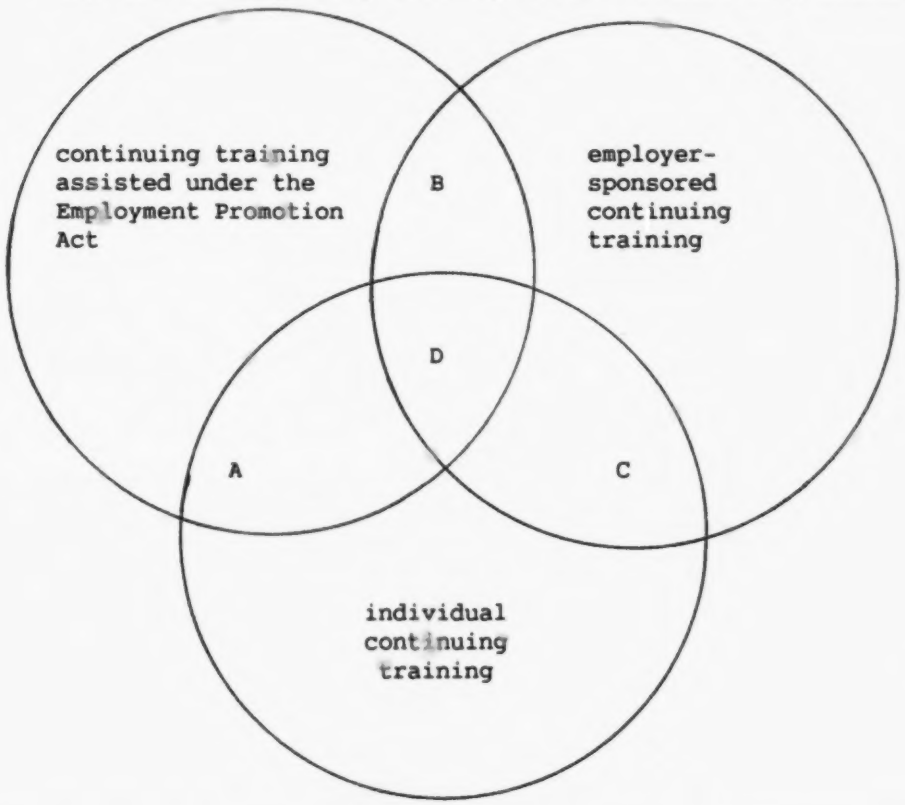
- The overlapping of continuing training assisted under the Employment Promotion Act and employer-sponsored continuing training is due to the fact that firms (as providers) implement training measures assisted under the Employment Promotion Act (including on-the-job training).
- Individual continuing training and continuing training assisted under the Employment Promotion Act coincide particularly where gainfully employed people who, though motivated and prompted as individuals, are assisted by the Federal Institute of Labour (course fees up to a certain level; maintenance allowances as loans) undergo conventional upgrading training.
- Individual and employer-sponsored continuing training overlap where the training is undertaken on the individual's own initiative (after

working hours), but is in the interests of and financially supported by the firm.

- All three segments of continuing training overlap where continuing training is undertaken on the individual's own initiative, is in the firm's interests and is financially assisted under the Employment Promotion Act.

Figure 7: Structures of continuing training

Segments of continuing training and areas where they overlap



A - Upgrading training, on the individual's own initiative, assisted under the Employment Promotion Act

B - Training (especially for the unemployed) financed under the Employment Promotion Act and provided by firms

C - Individual continuing training (on the individual's own initiative, after working hours) in the firm's interests

D - Individual continuing training, in the firm's interests, financed under the Employment Promotion Act

The quantitative overview is broken down into the following features:

- suppliers/training providers
- objectives
- contents/subjects
- participants
- success.

In connection with the quantitative description of the various features particular emphasis is placed on the following aspects:

- the importance of firms for continuing training,
- the dominance of updating training,
- the new technologies as activators of continuing training,
- the segmentation of employees' participation in continuing training and
- the degree of success in reintegrating unemployed participants in continuing training.

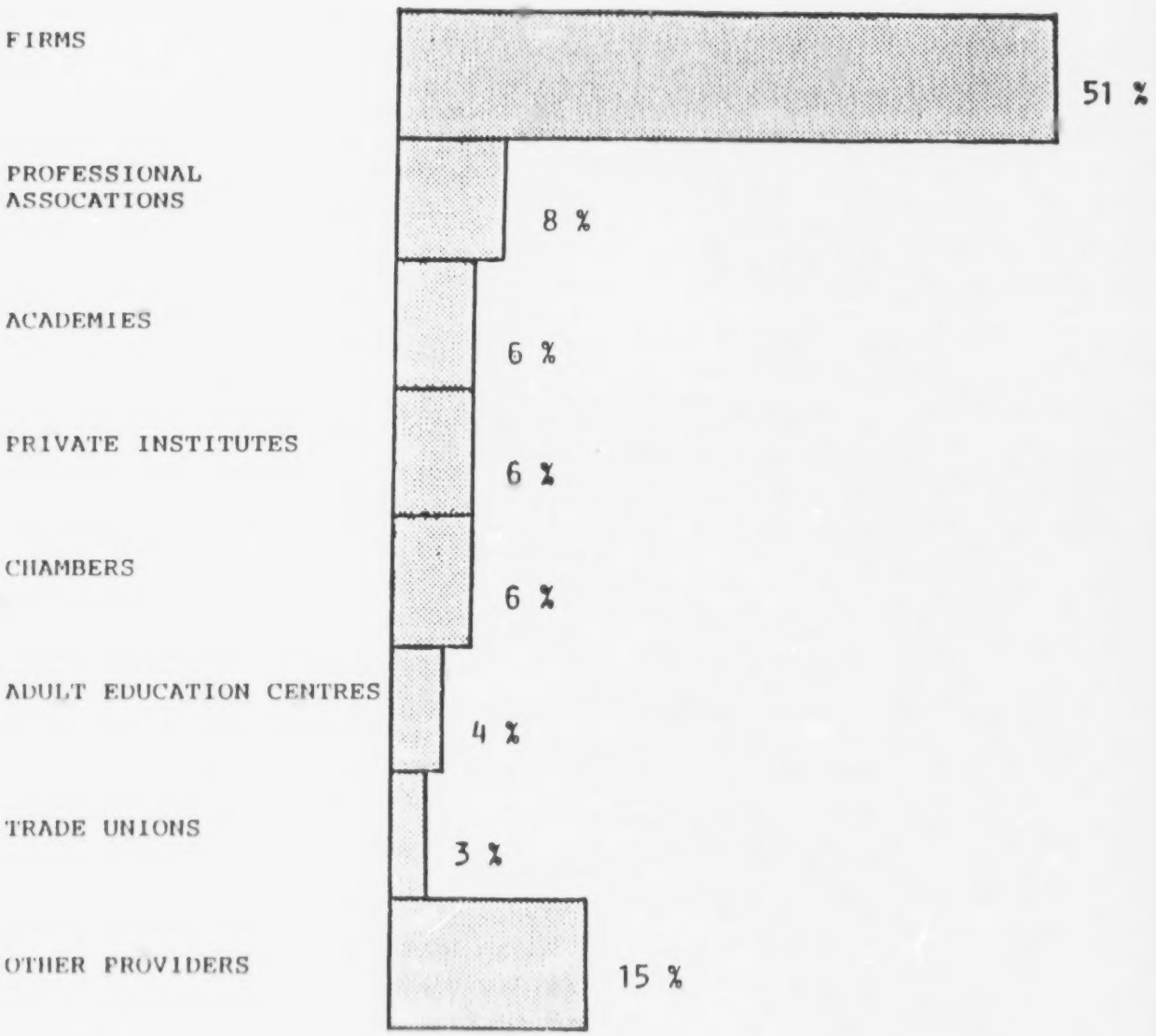
In general, the following overview also reveals the gaps in the information and data: it becomes clear that, as no or insufficient data are available on certain features of the sector as a whole, data on individual segments have to be used. It is also evident that in some cases there are major gaps in the data on the segments of continuing training.

3.2.1 Suppliers/training providers

The supply side features a wide variety of training providers and their institutions. Figure 8 shows the "market shares" of the suppliers, or groups of suppliers, in 1985 as revealed by a sample survey (reports on participation in continuing training).

According to the information provided by the interviewees, firms and training institutions maintained by employers dominate: they organize roughly half of all continuing training courses. The other half of the market is shared by off-the-job providers and institutions.

Figure 8: Providers of continuing training, 1985



Source: Reports of the Federal Ministry of Education and Science on participation in continuing training

*** Continuing training assisted under the Employment Promotion Act**

This segment is dominated by off-the-job training providers/institutions. Figure 9 shows that particular emphasis should be placed on the following trends:

- The proportion of training provided solely by firms has risen only slightly in recent years, although major efforts have been made as part of the training offensive to persuade more firms to provide such training, since the reintegration rate among participants who have undergone employer-sponsored continuing training is far higher than the rate among people who have participated off-the-job training.

- The last ten years have seen an increase particularly in the proportion of schemes run by private providers and their institutions (included in the category "Other providers"), their activities centring on updating training for the unemployed. The growth in the private sector has been largely at the expense of the schools, which have suffered losses as suppliers of upgrading training.

Figure 9: Providers of continuing training in 1975 and 1987, by new participants assisted by the Federal Institute of Labour - enrolments in %

Providers	1975	1987
Firms	11.9	13.6
Employees' organizations	10.7	11.1
Employers' organizations	3.6	2.7
Chambers of industry and commerce, chambers of the crafts/guilds	12.8	5.7 10.2
Providers of public assistance, private welfare organizations	0.6	0.8
Schools/universities	38.2	14.7
Other providers	21.2	41.2

Source: Federal Institute of Labour

*** Employer-sponsored continuing training**

In the case of employer-sponsored continuing training the different roles played by the firm as the provider of continuing training must be taken into account. A distinction should be made between activities of the firm

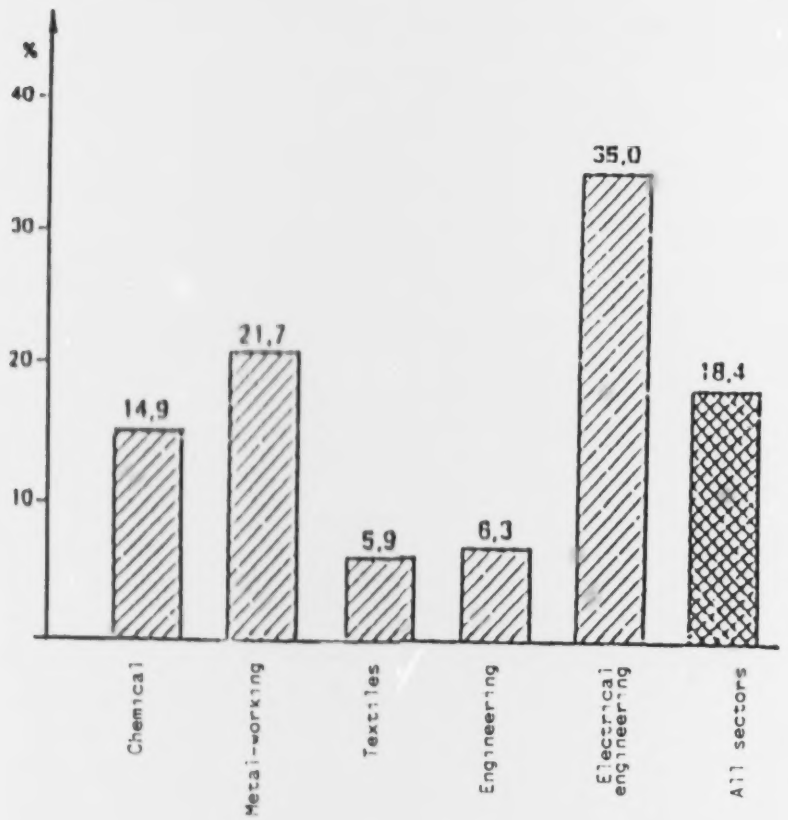
- as a provider and organizer of continuing training (possibly within its own training centre) for its own employees and acting on its own responsibility,
- as the provider of training on behalf of the Federal Institute of Labour, particularly for unemployed workers,
- as a partner in cooperative schemes and continuing training associations with other providers (firms or off-the-job providers),
- as a user of inter-company and/or off-the-job training institutions, to which it sends its employees.

The different supplier roles played by the firm are usually combined under the heading "continuing training activities". Findings of empirical studies reveal in particular that continuing training activities increase with the size of firms and that there are also significant sectoral variations. A study made by the Federal Institute for Vocational Training in 1983 of 119 firms providing continuing training showed that over four fifths of all participants came from large firms (with over 2,000 employees). The findings of the BIBB/IAB surveys similarly reveal that large firms are more actively engaged in continuing training. From 1980 to 1985 employees of small firms (up to 49 employees) attended continuing training courses less frequently than employees of firms with 500 or more employees (21% as against 29%). By comparison with the period from 1974 to 1979 the gap between employees of small and larger firms participating in continuing training in fact increased to 8%.

A sectoral comparison (see Figure 10) shows that participation in continuing training by employees of firms in the electrical engineering and

metal-working industries is above the average, while participation in the chemical, engineering and textile industries is below the average.

Figure 10: Participants in employer-sponsored continuing training as a proportion of the workforce, by sectors



Source: BIBB study "Strukturen betrieblicher Weiterbildung"

Related to sectors of the economy (industry, crafts, trade, public services and other sectors), the participation rate is lowest in small craft firms (15%); the gap between the crafts and all other sectors of the economy even widened between 1974/79 and 1980/85.

The craft sector depends on cooperation with external providers for continuing training since the firms in this sector are usually too small to provide independent continuing training for their employees. Empirical studies show that craft firms are most likely to take advantage of continuing training offered by suppliers/industry, with professional associations/guilds and the chambers of the crafts taking second place.

*** Individual continuing training**

Apart from firms, all providers are active in this sector, the open continuing training market. The number of providers is known only in certain regions: the Berlin continuing training database contains the names of 339 providers and details of their training programmes; the Hamburg database, WISY, lists 230 of the estimated 270 continuing training providers in the city. In the distance study sector, which accounts for only about 1% of the continuing training market, some 120 providers are active. The total number of continuing training providers (excluding firms) is estimated at several thousand.

3.2.2 Objectives

The dominant view is that continuing training measures should be divided into the following categories:

- updating training
- upgrading training
- retraining
- on-the-job training

According to the findings of sample surveys, updating training clearly heads the field:

- The interviewees in a BIBB/IAB survey carried out in 1985/86 stated that the continuing training courses they had attended from 1980 to 1985 had consisted primarily (90%) of updating training (brushing up

and increasing knowledge). Only 7% saw advancement and 3% retraining as the main aim of their continuing training.

- Figure 11 shows that those interviewed for the reports on participation in continuing training similarly assign the courses they have attended to continuing training sectors comparable with the above categories. It is also clear that the ranking of objectives remains stable over time.

Figure 11: Continuing training undergone by the population aged 19 to 65, by continuing training sectors, in %

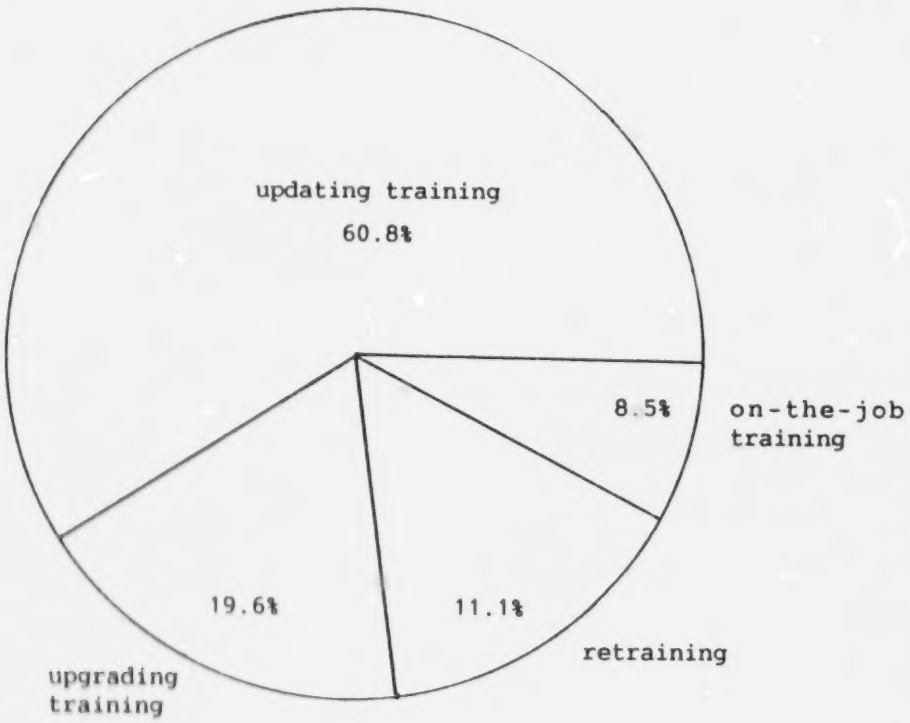
	1979	1982	1985
All continuing training	10	12	12
thereof			
retraining for a different occupation	1	1	1
upgrading training	2	2	2
on-the-job training	3	4	3
other courses	6	8	8

Sources: Reports of the Federal Ministry of Education and Science on continuing training

*** Continuing training assisted under the Employment Promotion Act**

Figures 12 shows that updating training also dominates where continuing training is assisted under the Employment Promotion Act: it accounts for over three fifths of enrolments in assisted training schemes, upgrading training for less than a fifth, retraining measures for over 10% and on-the-job training for over 8%. Here again, the ranking of objectives has not changed in recent years.

Figure 12: Enrolments in schemes assisted by the Federal Institute of Labour, by objectives or type of scheme, 1986



Source: Federal Institute of Labour

In view of the adverse labour market situation that has persisted for over ten years assistance under the Employment Promotion Act has been concentrated on the unemployed and people in immediate danger of losing their jobs. Since 1983 two thirds of those who have undergone training were previously unemployed. For this group reintegration into employment has become the primary objective of continuing training. With this goal in mind, specific "measures to improve employment prospects" have been implemented in recent years under the heading of updating training (under section 41a of the Employment Promotion Act): 13% of all post-initial

training courses beginning in 1987 (1986: 12%; 1985: 11%) fell into this category.

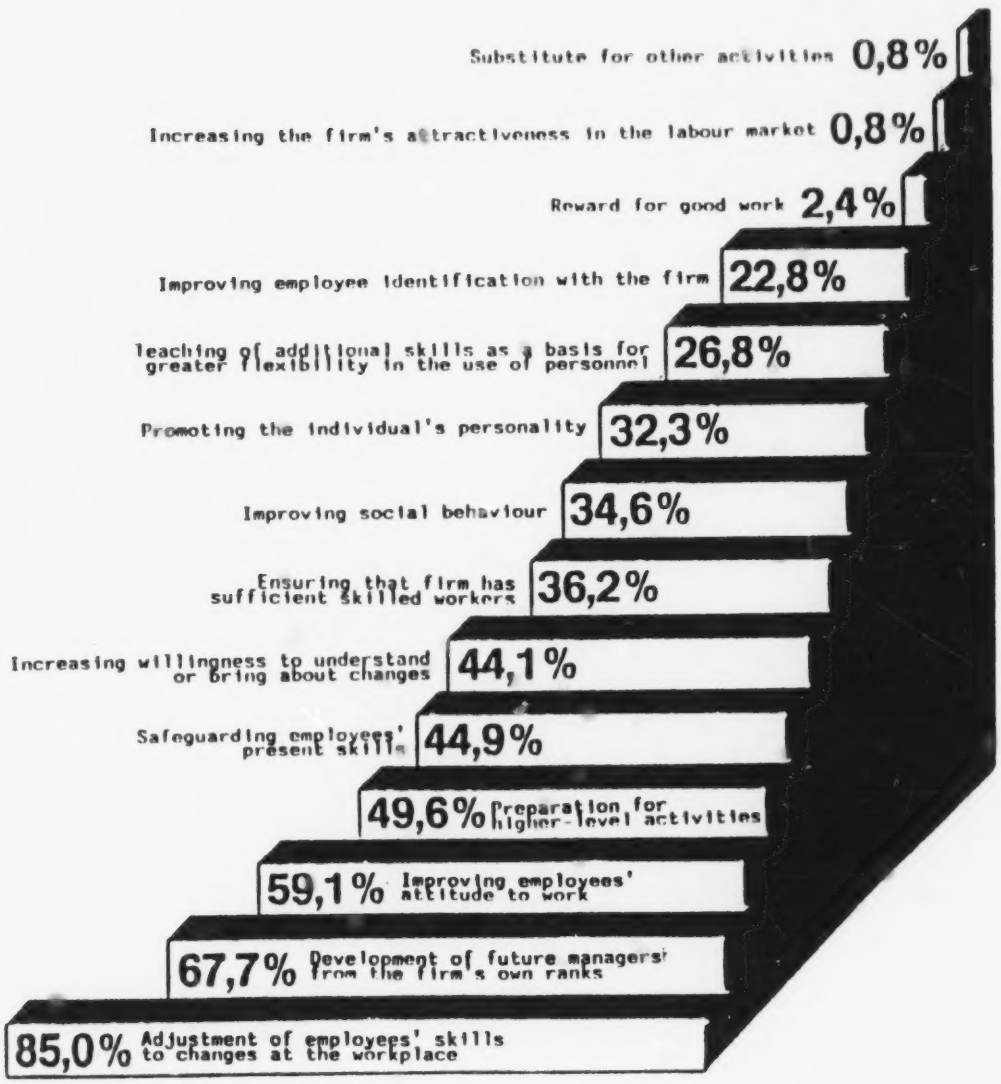
*** Employer-sponsored continuing training**

Figure 13 shows the range of objectives which - according to 127 continuing training managers in the private sector - firms have mainly in mind when providing continuing training. Here again, updating training takes the lead with 85% of all references; other references, such as the fifth entry, "Safeguarding employees' present skills", are related to updating training. The second most frequently mentioned objective, "Development of future managers from the firm's own ranks", with 67% of references, and the fourth entry, "Preparation for higher-level activities", can be classified as upgrading training.

The range of employer-sponsored continuing training objectives reveals another aspect characterized by the sixth entry, "Increasing willingness to understand or bring about changes", the eighth, "Improving social behaviour", and the ninth, "Promoting the individual's personality". Continuing training is no longer seen only as a means of teaching technical skills: it is increasingly expected to help the individual to acquire general social skills. Behaviour- and value-oriented objectives are gaining in importance in employer-sponsored continuing training. However, technical training continues to dominate in most firms: only 10% spend as much on behavioural training as on technical training (see Hofstetter et al., 1986, p. 24).

In inter-company continuing training in the private sector "updating training", "upgrading training" and "general continuing training" similarly head the list (see Figure 14).

Figure 13: Objectives pursued in employer-sponsored continuing training measures


Substitute for other activities 0,8%
Increasing the firm's attractiveness in the labour market 0,8%
Reward for good work 2,4%
Improving employee identification with the firm 22,8%
Teaching of additional skills as a basis for greater flexibility in the use of personnel 26,8%
Promoting the individual's personality 32,3%
Improving social behaviour 34,6%
Ensuring that firm has sufficient skilled workers 36,2%
Increasing willingness to understand or bring about changes 44,1%
Safeguarding employees' present skills 44,9%
49,6% Preparation for higher-level activities
59,1% Improving employees' attitude to work
67,7% Development of future managers from the firm's own ranks
85,0% Adjustment of employees' skills to changes at the workplace

Source: Hofstetter et al., Weiterbildung in Deutschland, Hamburg 1986

Figure 14: Inter-company continuing training in the private sector, 1987

	Courses	Partici-pants
Updating training		
- technical	17,095	338,023
- commercial	25,096	451,942
Upgrading training		
- technical	4,876	121,741
- commercial	3,183	83,302
General continuing training	7,911	127,160
Social continuing training	1,223	25,627
Special conferences arranged by training centres and organizations	2,548	85,837
Courses for trainers		
Leading to trainer's qualification	921	20,533
Continuing training of trainers	876	20,619
Retraining		
- technical	734	10,429
- commercial	125	2,338
Schemes to improve employment prospects of the unemployed	424	6,619
Total	65,012	1,294,170

Source: German Industrial and Trade Association 44/44, Deutscher Instituts-Verlag

* Individual continuing training

The objectives relevant to this sector of continuing training are covered by the abovementioned findings of the sample surveys.

3.2.3 Contents/subjects

The range of continuing training subjects and contents is extremely wide. The subjects covered by the various courses are general in some cases, or several subjects are covered by one course. Figure 15 shows the six subjects most frequently taken at the course last attended by those interviewed for the reports on participation in continuing training. Data processing courses lead the field with 22%. "Education/teaching methods and psychology" and "management and organization" follow with 19% each. Other subjects are mentioned far less frequently.

Figure 15: The six most frequently mentioned subjects taken at the last continuing training course attended, 1985

Basis: Information provided by Germans aged 19 to 65 on the last continuing training course attended in the previous five years

1)	Data processing	22%
2)	Education/teaching methods and psychology	19%
3)	Management and organization	19%
4)	Bookkeeping and accounting	11%
5)	Sales, marketing and advertising	11%
6)	Electrical engineering, electronics and power engineering	10%

Source: Infratest Sozialforschung: Berichtssystem Weiterbildungsverhalten 1985, Abschlussbericht, Munich 1987

Other studies confirm the leading position of data processing in continuing training. Findings of the BIBB/IAB surveys in 1985/86 show that the following combinations of continuing training subjects are the most frequent:

- data processing and commercial functions
- data processing and management/organization

- data processing and electrical engineering/electronics/power engineering
- mechanics/hydraulics/pneumatics and electronics/electrical engineering/power engineering

(Federal Ministry of Education and Science (ed): Berufsbildungsbericht '88, pp. 117 f.)

In general, the findings of the BIBB/IAB survey reveal that the process of technical innovation, i.e. the use of program-controlled aids and equipment, must be seen as the main incentive for continuing training: 17% of courses which the interviewees believed would teach them skills they could use in their jobs (see Figure 16) prepared them directly for work with new technologies.

*** Continuing training assisted under the Employment Promotion Act**

The significance of the "new technologies" is also reflected in this segment of continuing training. An appraisal of continuing training in Lower Saxony assisted under the Employment Promotion Act in 1986 shows, for example, that about a quarter of all teaching hours were devoted to the new technologies (see Institut für Entwicklungsplanung und Strukturforschung, 1986, p. 2).

The attractiveness of the new information technologies is also revealed by the high rates of increase in enrolments in courses for data processing experts (1985: 47% = 8,800; 1986: 50% = 13,500). In 1987 the Federal Institute of Labour financed post-initial training in data processing for some 50,000 employees.

Figure 16: Courses considered by the interviewees to be most useful in their jobs[1]

Subject	Courses[2]		
	Number	Full-time %	Part-time %
Foreign languages	280	18	82
Typing, shorthand	209	23	77
Basic data processing	453	45	55
Special data processing	398	65	35
Operation and maintenance of machinery and equipment	347	72	28
Bookkeeping, accounting	254	53	47
Finance, banking	297	74	25
Personnel management, employee representation	212	71	28
Purchasing, procurement	62	54	46
Sales, marketing, advertising	447	78	31
Management, organization	344	69	31
Electrical engineering, electronics, power engineering	315	69	31
Mechanics, hydraulics, pneumatics	204	64	36
Education, teaching methods, psychology	620	64	36
Other	1116	63	37
All courses	5765	60	40

1 "No statement", not shown
2 Excluding distance study courses

Source: BIBB/IAB surveys

*** Employer-sponsored continuing training**

The dominance of courses relating to technology is particularly evident in employer-sponsored continuing training: the findings of a BIBB survey of employer-sponsored continuing training in 1983 and 1984, for example,

show that over two thirds of all courses focused on the "new technologies" (see von Bardeleben et al., 1986 p. 13).

According to continuing training managers in the private sector, the following departments of firms are particularly affected by continuing training:

- organization, data processing
- sales, distribution, marketing,
- personnel,
- finance and accounting,
- production, materials and logistics management

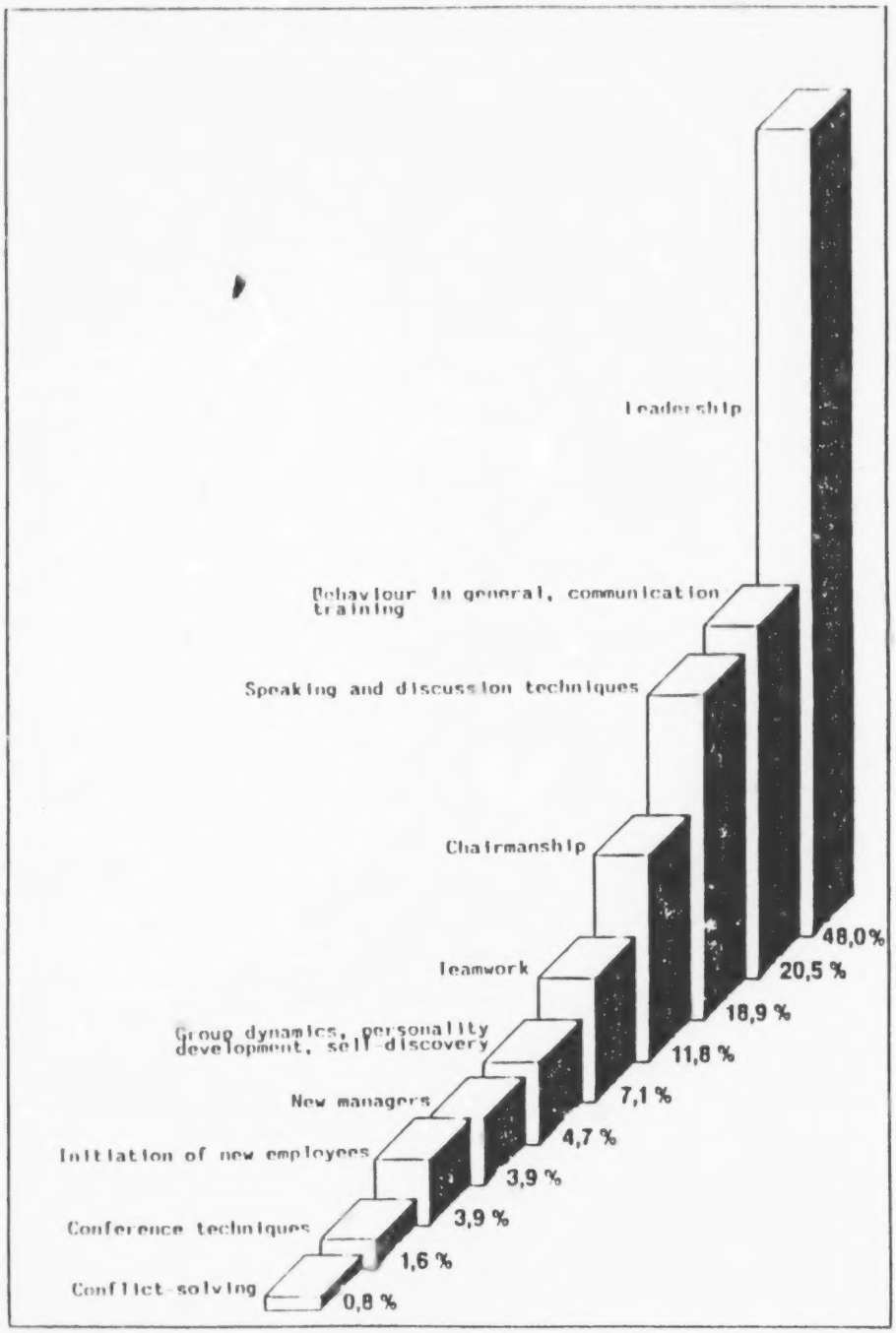
(See Hofstetter et al., op. cit., pp. 14 f.).

The continuing training provided by firms is closely related to certain groups of employees, with the emphasis on middle and lower management. Figure 17 shows the quantitative distribution of behavioural subjects in employer-sponsored continuing training.

*** Individual continuing training**

In general, the subjects revealed by sample surveys (see Figure 15) are again the most common in this segment. Courses in which recognized certificates can be obtained are preferred in individual continuing training. This is evident, for example, from the distance study sector, which generally reflects demand among individuals. Over half of all participants in distance studies prefer courses in commercial practice (leading to the award of a certificate), general school certificates and courses in business management and engineering in which appropriate certificates can be obtained.

Figure 17: Behavioural subjects in employer-sponsored continuing training



Source: Hofstetter et al., Weiterbildung in Deutschland, Hamburg 1986

3.2.4 Participants

The available statistics on providers and sample surveys (see Figures 5 and 6) show that continuing training has expanded constantly in the last ten years in terms of numbers of participants.

Between 1980 and 1985 23% of the German employees interviewed, i.e. about 4.8m, had attended at least one course of continuing training (excluding courses for Meister and technicians). Compared with the period from 1974 to 1979, participation in continuing training thus rose by 3%. At the same time there was some polarization of the lower and upper skill groups among participants. Groups of people who are traditionally keen to learn more skills increased their lead over those who had been at a disadvantage even at the initial training stage. Figure 18 reveals a widening of the gap in participation in continuing training between wage-earners on the one hand and salary-earners and civil servants on the other.

*** Continuing training assisted under the Employment Promotion Act**

With growth rates of almost 30% in 1986 and 12.5% in 1987, the number of enrolments in training measures assisted under the Employment Promotion Act rose very sharply in both years. The number of women participating also increased (see Figure 19). However, at 36%, the proportion of women participating in continuing training has yet to equal the proportion of women in the working population, 40%.

The target groups of labour market policy, especially the unemployed, on whom the promotion of continuing training has been increasingly concentrated since the second half of the 1970s, have benefited to varying degrees. The Federal Government's budget problems led to the introduction of restrictions on the promotion of continuing training in 1987, and these have had an initial impact:

Figure 18: Participation in continuing training from 1974 to 1979 and from 1980 to 1985

	% of interviewees having completed at least one course of post-initial training or retraining[1]	
	1974-1979	1980-1985
Wage-earners	10	10
- semi-skilled and unskilled	4	5
- skilled	16	15
Meister[2]	33	35
Salary-earners	26	31
- low-grade salary-earners	16	15
- specialists	28	35
- higher-grade salary-earners, executives	40	48
Civil servants	41	46
- lower- and middle-grade	37	42
- executive and senior levels	44	51
Self-employed	17	24
Total	20	23

1 Gainfully employed Germans, excluding assisting family members

2 Wage-earners and salary-earners

Source: BIBB/IAB surveys

- The proportion of the unemployed participating in continuing training, two thirds of the total from 1984 to 1986, has been declining since 1987; in 1988 they accounted for some 56% of new enrolments in continuing training.

Figure 19: Enrolments in continuing training courses by type of training, 1980 - 1988

Year	Enrolments					
	Total	thereof			Women	Unemployed[1]
		Further training	Retraining	On-the-job training		
	Numbers				%	%
1980	246,975	176,467	37,927	32,581	32.5	43.3
1981	279,507	214,716	47,498	17,293	32.6	47.0
1982	265,527	211,928	42,103	11,496	31.9	55.1
1983	306,201	243,752	42,322	20,127	31.9	64.3
1984	353,140	290,746	43,057	19,337	32.6	66.0
1985	409,324	336,520	45,111	27,693	33.4	65.7
1986	530,042	425,976	59,139	44,927	35.0	66.0
1987	596,354	482,661	64,515	49,178	36.3	64.2
1988	565,611	448,736	65,706	51,169	36.1	55.8

1 Before beginning the course

- The proportions of people without initial training (1987: 24.9%; 1988: 22.8% of all enrolments) and of the long-term unemployed (1987: 13.1%; 1988: 10.4% of all enrolments) among participants in continuing training are similarly on the decline; given their numbers as a proportion of the total unemployed population, these groups have always been underrepresented.

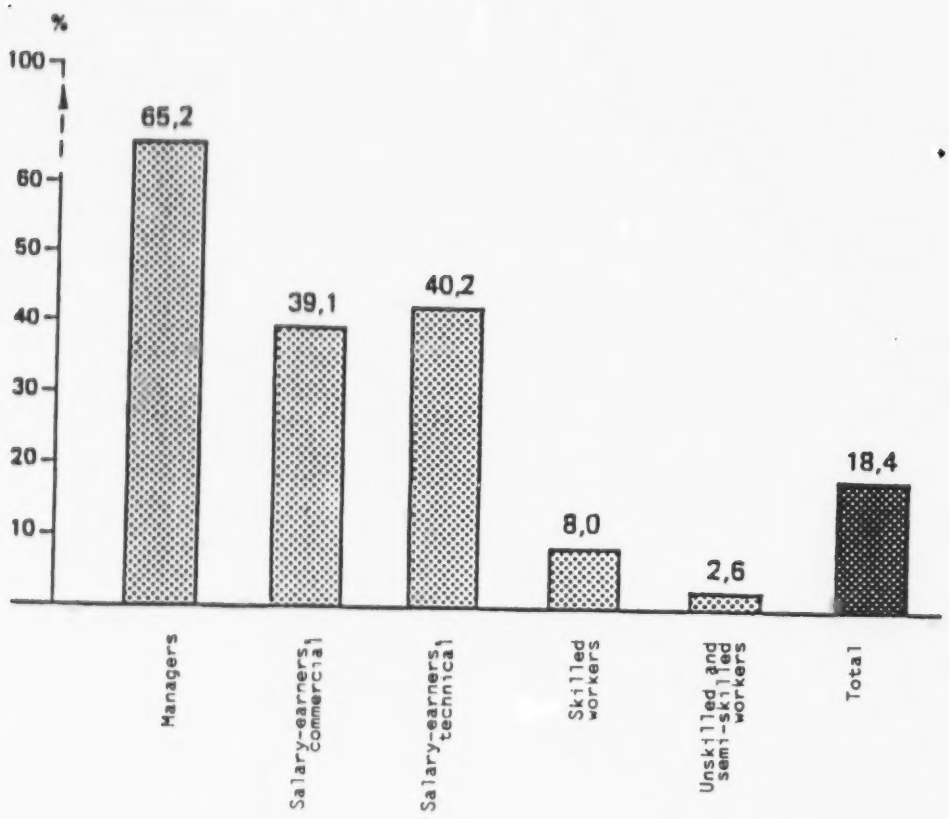
*** Employer-sponsored continuing training**

Half of all vocational training courses are run by firms or at institutions funded by employers (see Figure 8). The major quantitative relevance of firms is related to the number of participants; the duration of courses and thus the volume of continuing training are not taken into account in this context. If the duration of courses is considered, off-the-job and inter-company providers gain in importance, since it is known from other studies that three quarters of employer-sponsored courses last less than a week.

Employer-sponsored continuing training focuses on employees above skilled worker level. Managers (14.8%) and technical (37.8%) and commercial salary-earners (30.3%) account for a far larger proportion of participants than skilled workers (13%) and unskilled and semi-skilled workers (4.1%). The polarization between the upper and lower skill groups is particularly evident in employer-sponsored continuing training. Figure 20 illustrates this polarization by referring to rates of participation by various categories of employees.

In connection with the development of new forms of continuing training, e.g. learning centres and quality circles intended for employees unaccustomed to learning, greater efforts have been made in recent years, particularly in large firms, to involve more unskilled and semi-skilled workers in continuing training. However, the majority of firms, especially in the small and medium-sized categories, are still reluctant to undertake continuing training activities themselves. It has been found,

Figure 20: Participation rates by categories of employees in firms



Source: BIBB study "Strukturen der betrieblichen Weiterbildung"

for example, that only about a fifth of firms in Berlin are willing to meet current personnel requirements with continuing training measures of their own (see Deutsches Institut für Wirtschaftsforschung, 1987, pp. 8 f.).

*** Individual continuing training**

The number of participants in the "individual continuing training" segment cannot be deduced from the available sources of data. It must be assumed that there is considerable overlapping with continuing training assisted under the Employment Promotion Act and employer-sponsored continuing training (see Figure 7). Participants in individual continuing training are primarily people who obtain recognized certificates in off-the-job forms of continuing training to ensure their professional advancement. A large proportion of vocational distance studies, for example, must be attributed to this segment of continuing training, in which private training providers dominate.

3.2.5 Success

There is currently no systematic, comprehensive evaluation of continuing training measures. Possible evaluation criteria range from success in terms of satisfaction, learning, examinations and employment among participants to success in terms of the firm's organization and investment.

Success is primarily determined in terms of learning and examinations, with the proof usually provided by certificates. Figure 21 shows that just under half of all participants in continuing training obtain a certificate. The most common certificates are the "soft" forms confirming attendance and documents issued by training providers. Only one in six participants obtains an officially recognized certificate. Most of these relate to upgrading training and retraining, where courses normally last some considerable time.

Figure 21: Continuing training certificates, 1985

Basis: Information obtained from Germans aged 19 to 65 on the continuing training course last attended in the previous five years

Certificate obtained	39%
Can still obtain certificate	9%
No certificate	52%
No information	1%
	101%
Type of certificate[1]	
Confirmation of attendance	37%
Entry in vocational training "log book"	7%
General certificate issued by training provider	22%
Officially recognized certificate	29%
Other	6%
No information	0%
	101%

1 Basis: all participants who have obtained or may still obtain a certificate (= 100%)

Source: Infratest Sozialforschung: Berichtssystem Weiterbildungsverhalten 1985, Abschlussbericht, Munich 1987

*** Continuing training assisted under the Employment Promotion Act**

Where participants are assisted by the Federal Institute of Labour, the extent to which the training objective is achieved is known. Figure 22 shows that the success rate is lowest in retraining. In many cases retraining consists of long-term measures lasting up to 18 months, which is asking a great deal of the participants' endurance.

In addition, the IAB regularly determines the success of former participants in the labour market or in terms of reintegration. Figure 23 shows that six months after the completion of courses in 1987 a total of 73% of previously unemployed participants in continuing training had found a job. The integration rate among participants who were not unemployed before undergoing continuing training was, at 76%, only slightly higher.

Figure 22: Training of participants assisted by the Federal Institute of Labour, 1986 and 1987

	Training objective achieved (in % of leavers)	
	1986	1987
Updating training	72	75
Upgrading training	80	81
Retraining	64	66
On-the-job training	87	87

Source: Federal Institute of Labour

Figure 23: Reintegration of unemployed participants in continuing training, 1987

Participants in a full-time course assisted by the Federal Institute of Labour who had found jobs six months after completing their training, in % of enrolments

Updating training	74%
Upgrading training	79%
Retraining	80%
On-the-job training	92%
Improvement of employment prospects (section 41a of the Employment Promotion Act)	63%
Total	73%

Source: Federal Institute of Labour

The fate of former participants in continuing training in the medium term is evident from the following:

Two years after completing courses in 1982

- 58% of previously unemployed participants were employed in jobs in which social insurance contributions were compulsory,
- 28% were still or again unemployed,
- 11% were not available for placement and
- 3% could not be classified.

(See Materialien aktuell des IAB, No. 4/88)

Employer-sponsored continuing training and individual continuing training

No quantifiable data on the success of continuing training are available for either of these segments. In view of the sharp increase in continuing training costs, however, there is growing pressure on the continuing training departments of larger firms to justify these costs by showing how successful the training has been.

4. Cost and financing of continuing training in the Federal Republic of Germany

4.1 Definitions

Continuing training institutions incur costs when developing and running courses. These costs comprise the following items:

- personnel costs (wages, salaries, including incidental expenses associated with full-time and part-time teaching staff, employer-sponsored continuing training personnel, assistants, personnel and training administration)
- cost of teaching materials
- recurrent costs associated with the maintenance of the continuing training institution
- depreciation for land, buildings, equipment, etc.
- interest payments.

The costs incurred by training institutions are joined by costs incurred by the participants in continuing training, the main items being:

- cost of learning and work aids
- cost of travelling to training institutions
- additional cost of living (where courses entail lodging away from home)
- loss of earnings/income.

The largest item for continuing training institutions is staff costs, for participants in full-time courses the loss of earnings. As participants are not as a rule able to meet these costs themselves, they are borne by other bodies through the continued payment of remuneration (employer-sponsored continuing training) or maintenance allowances (continuing training assisted under the Employment Promotion Act).

Costs are measured in money and defined as the consumption of goods and services for the performance of an activity. They are a theoretical construct which is the product of the goods and services consumed (quantity structure) and the prices at which they are valued (value structure). Costs are not the same as expenditure (real payment flows). They differ in value and as regards the period to which they relate. Besides problems connected with accurately recording and allocating quantities consumed (quantity structure), valuation margins in particular make cost comparisons very difficult and also problematical. Comparisons can be correctly made only if the respective value structures are open.

If differences in terms of value and time are ignored, costs result in expenditure.

Continuing training costs can be identified to training institutions and participants, and the institutions and participants can be regarded as cost centres. They do not, however, reveal who meets the costs. Participants, for example, may meet all or part of their costs themselves. They are then both cost centres and cost units. They may also finance the costs of the training institution wholly or partly by paying for the training provided prices which meet all or part of its costs. On the

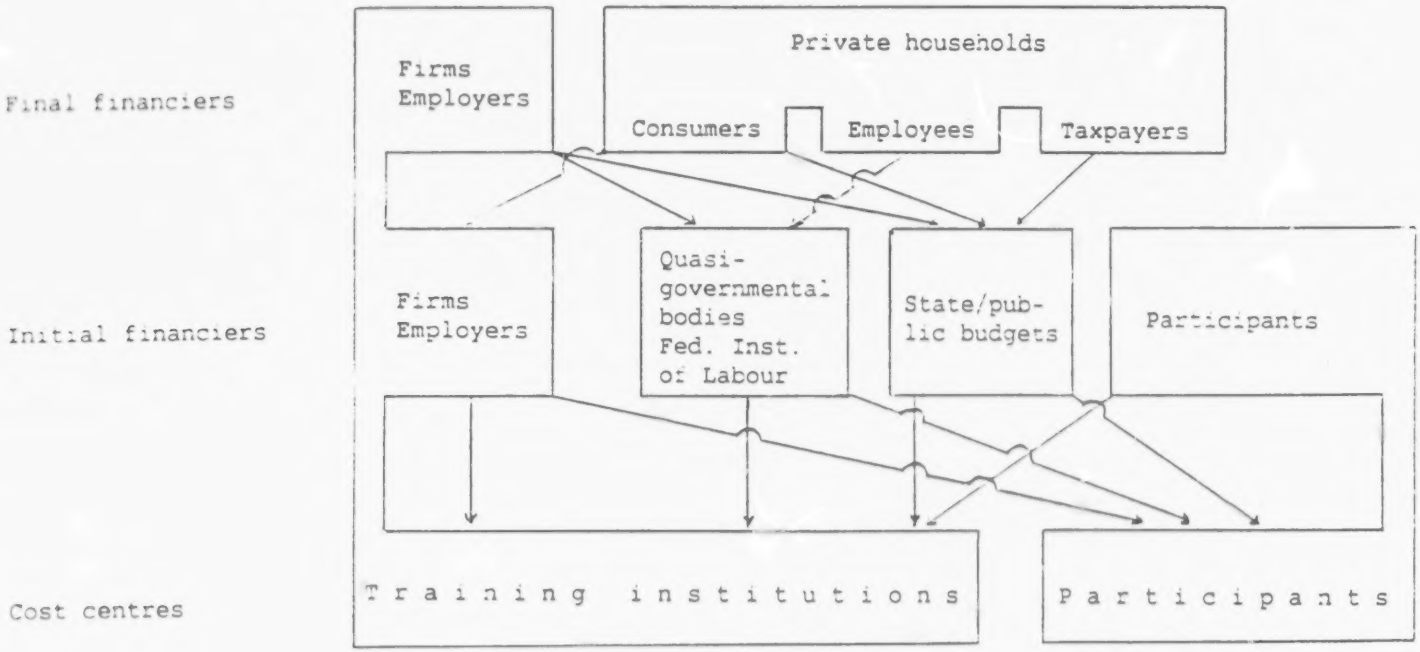
other hand, participants may have part of their costs and of the course fees refunded by the Federal Institute of Labour, as is the case with continuing training financed under the Employment Promotion Act. The Federal Institute may even refund all the costs when participation in a training course is "necessary" within the meaning of the Act.

While participants usually meet at least some of the costs they incur, the costs incurred by training institutions are as a general rule met from another source: the body behind the continuing training institution, the public authorities or the Federal Institute of Labour in the form of institutional assistance or the participants through the prices they pay for the training. An exception is employer-sponsored continuing training, where the continuing training institution (a department of the firm) and the source of funds (the firm) form a single economic entity.

As the costs associated with training may be financed from a wide variety of sources, a course may be the subject of mixed financing in the same way as the whole system of continuing training. For example, people attending an "open" course recognized as eligible for assistance under the Employment Promotion Act may or may not be receiving assistance under this Act. Those who are assisted have all or part of their course fees, their travel expenses and the cost of learning and work aids, etc. refunded by the Federal Institute of Labour, while those who receive no assistance must meet these expenses themselves.

Besides the different methods of financing individual courses, there are various ways in which the providers of funds recoup or pass on costs. The Federal Institute of Labour finances its operations with contributions from employees for whom its insurance is compulsory and from their employers. Government financing through taxes eventually affects the budgets of employees and employers through the income and consumption taxes they pay. Firms pass on their costs in the prices they charge for their goods. All in all, this gives rise to an extremely complex pattern of links among the various financial flows, which is depicted at a highly aggregated level in Figure 24.

Figure 24: Relationship between direct continuing training costs and their funding



4.2 Sources of funds and financial flows

In the Federal Republic of Germany the costs associated with continuing training are largely borne by:

- the private sector
- the Federal Institute of Labour
- the public authorities (Federal, Land and local government) and
- the individuals participating in continuing training.

To finance these costs, they resort to various sources: income, assets, sales revenues, taxes, loans and members' contributions.

As the Federal Republic does not have any official statistics on continuing training, an aspect that was discussed in Chapter 3, there are countless gaps in the information on the financing of continuing training. A description of sources and flows of funds must be based on various sources of data and information, which differ widely in topicality and/or accuracy. The following description follows the above breakdown of sources of funds.

Figure 25 first gives a general insight into expenditure on continuing training in 1980, 1983 and 1986 at current prices, as indicated or estimated by official agencies. The figures for the Federal Institute of Labour and the public authorities reflect their actual expenditure (flows of funds). The data on the private sector, on the other hand, are estimated costs.

4.2.1 Private sector

Firms in the private sector use cost categories in their cost accounting system. Given the overriding objective of determining the firm's success each year, the main aim in cost accounting is to allocate costs as accurately as possible to the period in which they are incurred. In contrast, the accounting methods used by the public authorities are geared

Figure 25: Expenditure on continuing training in 1980, 1983 and 1986, in billions of DM

	1980	1983	1986
Private sector	8.0	9.2	10.0
	(4.0*)		(5.0*)
Federal Institute of Labour	2.5	3.1	4.5
Public authorities (Federal, Land and local government)	2.3	2.4	3.2
Participants		not known**	

Sources: Federal Ministry of Education and Science (ed.): Grund- und Strukturdaten
Federal Institute of Labour

* Corrected extrapolation proposed by Bergner (1987)
** In a sample survey three quarters of participants said they were financed individually.

to actual movements of funds (revenue and expenditure). As costs and expenditure are not always identical, the comparability of data on spending by the various sources of funds is very limited from the outset.

4.2.1.1 Total costs

The only substantiated findings on continuing training costs incurred by the private sector date back to 1971. There are no ongoing statistics or surveys in this sector. At that time a commission of experts set up by the Federal Government (EDDING Commission) carried out a sample survey of the costs and financing of non-school vocational training in the Federal Republic. It calculated the cost to the private sector in 1971 at about DM 2.1bn (Sachverständigenkommission 1974, 142).

The commission of experts established that the average cost per employee and year was DM 100, with major variations among the sectors covered by the survey. At DM 303 per employee and year, the costs incurred by large firms affiliated to chambers of industry and commerce (1,000 employees or more) were almost five times higher than those incurred by small and medium-sized firms (up to 1,000 employees) (DM 62) and nine times higher than those incurred by craft firms (DM 36). The differences were due to the fact that firms in the three subsectors provided continuing training for their employees to different degrees. There is a clear link between the size of firms and continuing training activities: the more employees a firm has, the more likely it is to be active in continuing training. From the basic material published by the commission of experts Grünewald/ Kohlheyer have calculated that 75% of large firms affiliated to chambers of industry and commerce, 25% of small and medium-sized firms so affiliated and 12% of craft firms provide post-initial training (GRÜNEWALD/ KOHLHEYER 1978, 156).

Official agencies show the private sector's continuing training costs in recent years to have been as follows:

Figure 26: The private sector's expenditure on continuing training

Year	DM bn
1988	8.0
1981	8.4
1982	8.8
1983	9.2
1984	9.6
1985	9.6
1986	---
1987	---
1988	---

Source: The Federal Ministry of Education and Science, Grund- und Strukturdaten 7, Bildungsbudget, annual publication

These figures are based on a study carried out in 1980 by the Institute of the German Economy, which has close links with industry. The study showed the private sector's continuing training costs in 1980 to have been DM 8.002bn (FALK 1982). It claimed to be representative, although the figures of the commission of experts needed to be brought up to date. However, the study did not satisfy the criteria of representativeness, and it made inadmissible extrapolations (see BERGNER 1987). Merely correcting these extrapolations reveals that expenditure by the private sector in 1980 was about DM 4bn, which is roughly equivalent to the level arrived at if the 1971 figures of the commission of experts are updated (see Figure 25).

From 1983 the figures contained in the study by the Institute of the German Economy were included in the publications of the Federal Ministry of Education and Science and until 1987 (1985 figures) updated annually by the ministry as shown in the above table without any reference to further surveys. Since the accuracy of the figures was questioned, the Ministry has omitted figures on the private sector's continuing training costs from its more recent publications. Representatives of employers' interests, however, already estimate these costs at over DM 15bn p.a. (MALCHER 1987).

The variance in the figures published by the various institutions makes it clear that expenditure on continuing training in the private sector is very much an "unknown quantity" in research on vocational training and that only an up-to-date, sample survey can fill the gap. A new research project currently being carried out, again by the Institute of the German Economy for the Federal Ministry of Education and Science, is intended to fill this gap and to provide new data and information for the future.

Besides the surveys of the commission of experts and the Institute of the German Economy, which claim to be representative of the country as a whole, a number of studies of continuing training costs incurred by firms in specific industries, sectors and/or regions were conducted in the 1970s and early 1980s.

The most recent survey of continuing training costs in the private sector of which findings are available was carried out by the Federal Institute for Vocational Training (BIBB) in 1983/84. It covered 119 chemical, metal-working, engineering, electrical and textile firms providing continuing training (von BARDELEBEN et al. 1986). Total costs per employee and year averaged DM 347. They varied very significantly among industries and especially groups of employees. Broken down into groups of employees, average total costs per employee were found to be:

DM 1344 per manager
DM 883 per technical salary-earner
DM 705 per commercial salary-earner
DM 104 per skilled worker
DM 26 per semi-skilled or unskilled worker (idem, 141)

4.2.1.2 Problems connected with recording and assigning costs

Where firms incur continuing training costs, a distinction is made between direct and indirect costs. Direct costs comprise:

- labour costs and the cost of materials associated with internal continuing training and
- the cost of external continuing training for employees.

Indirect continuing training costs, on the other hand, are labour costs incurred during the absence of the participants, i.e. the cost of the continued payment of wages and salaries to employees while they are undergoing continuing training. These costs are entered in the firm's books as wages and salaries, along with all non-wage labour costs, and do not appear again as a separate item under training costs.

The commission of experts calculated that the cost of the continued payment of wages (indirect costs) in 1971 accounted for an average of 49.9% of the total continuing training costs of all firms. At 57%, the figure was highest for large firms affiliated to chambers of industry and com-

merce, followed by craft firms with 50% and small and medium-sized firms affiliated to chambers of industry and commerce with 47.9% (Sachverständigenkommission 1974). In its study of the situation in 1980 the Institute of the German Economy states that indirect costs accounted for 59.3% of total continuing training costs in large firms, 43.6% in small and medium-sized firms and 32.3% in craft firms (FALK 1982, 144 ff). The study carried out by the Federal Institute for Vocational Training in 1983/84 found indirect continuing training costs to be even more onerous, as Figure 27 shows. In this case indirect costs accounted for over 71% of the total.

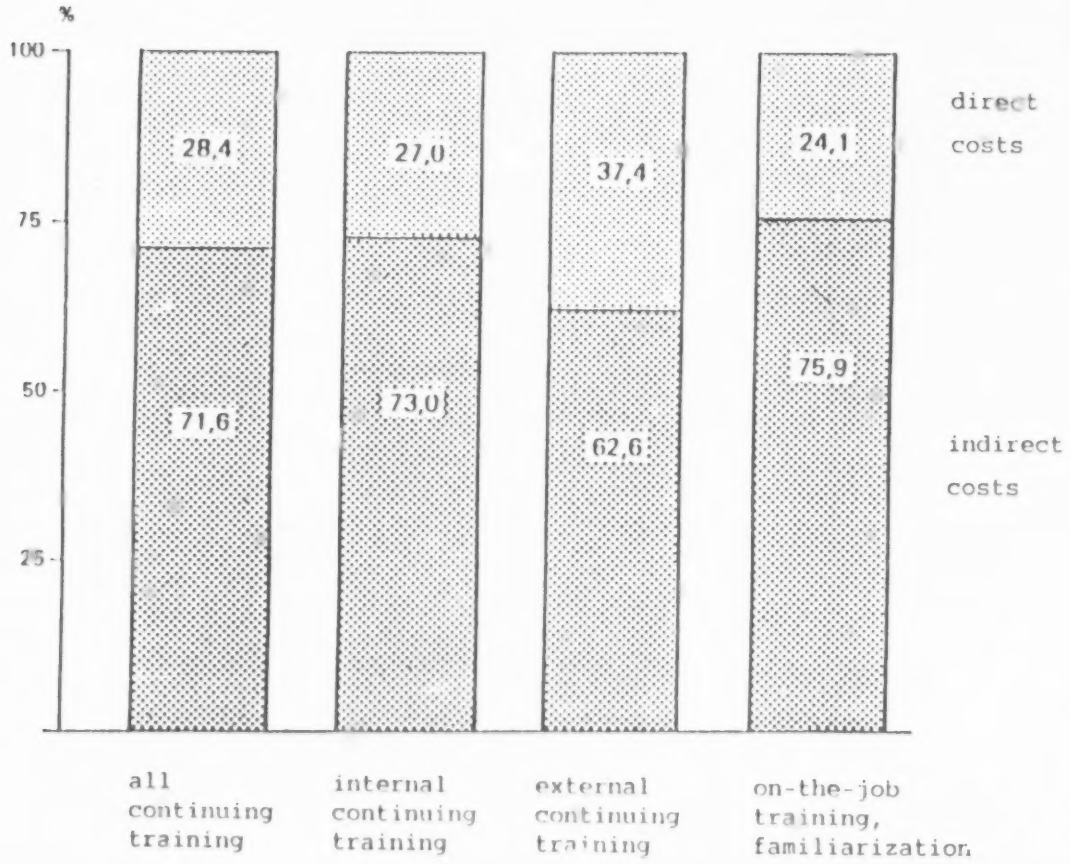
Enormous difficulties are encountered in determining continuing training costs in private-sector firms. The cost accounting systems they use are geared to their own specific requirements. For businesses, commercial training institutions aside, initial and continuing training are inferior support processes. The costs which firms incur as a result of training are usually entered under personnel costs, cost of office and workshop space, social expenditure, imputed depreciation allowances, imputed interest charges, etc. and not recorded in a separate training cost account. The abovementioned study by the Federal Institute for Vocational Training and the study by WINTER/THOLEN (1979) show that

- the vast majority of firms do not have cost accounting for continuing training;

- it is a very rare occurrence even for firms which do have such cost accounting to record indirect costs.

None of the firms included in the study by the Federal Institute for Vocational Training undertook differentiated cost accounting for continuing training. Indirect costs were calculated only on the basis of working hours spent in continuing training and the employees' average wages.

Figure 27: Direct and indirect continuing training costs by forms of continuing training, in %



Source: BIBB study "Strukturen der betrieblichen Weiterbildung"

An additional problem with indirect costs, unlike direct costs, is determining whether they actually occur and how they should be valued. If they are to be calculated accurately, it has to be considered in each case whether or not there has been actual expenditure. Costs that lead to expenditure occur only when the firm has to employ stand-ins or pay for overtime. If, on the other hand, it incurs personnel costs regardless of whether employees undergo continuing training, e.g. when continuing training is provided during idle periods or the employees are required to make good the lost time before or after the training without additional remuneration, indirect costs are simply fictitious.

Besides the problems associated with recording and valuing indirect costs, firms face another difficulty when accounting for the cost of continuing training. The cost of continuing training that forms part of on-the-job training also largely defies classification. For all practical purposes it is impossible to distinguish what are in the firm's eyes unproductive training periods from productive working hours and to measure the time devoted to each.

4.2.1.3 Financing instruments

The instruments used to finance employer-sponsored continuing training, whether internal or external, are:

- the continued payment of wages and salaries (reflected in indirect costs) while employees are released from their work and
- the payment of direct continuing training costs.

The two instruments are used both separately and in combination.

Firms base their decisions on the financing of continuing training measures on an economic calculation. The expenditure must be worthwhile for the firm. As early as the 1960s this led the neoclassical theory of human capital to develop the thesis of underinvestment in vocational training by firms in the market economy:

Firms which actively engage in training cannot limit the benefits of an investment in training to their own sphere of influence. Mobility in the labour market means that an investment in training may benefit both employees and firms which do not provide training. The latter may use the cost advantage they derive from their inactivity to effect relative wage increases and to poach skilled workers. The content of employer-sponsored continuing training is therefore largely geared to the firm's own interests, and it is extremely difficult or impossible for other firms to use the skills acquired. The adjustment of employees' skills to changes at the workplace is by far the most frequent form of continuing training (see Figure 13).

Most courses are of short duration. According to the BIBB's 1983/84 study, about three quarters of all courses last no more than a week. Similarly, the concentration of employer-sponsored continuing training on certain target groups (managers, technical salary-earners) shows that firms are still a long way from providing continuing training for the workforce as a whole. Employer-sponsored continuing training and its financing by individual firms in fact tend to exacerbate the imbalances that occur in education and initial training. It is left to the public sources of funds, and above all the Federal Institute of Labour, to make good the shortcomings in training.

The concentration of employer-sponsored continuing training on the groups of employees who are already more highly qualified and better paid is also reflected in the ratio of direct to indirect costs. The cost of the continued payment of their salaries while they undergo continuing training accounts for the large volume of indirect costs.

4.2.2 Federal Institute of Labour

4.2.2.1 Financing volume

The Federal Institute of Labour finances its budget from unemployment insurance contributions, which are split equally between employees who are liable to contribute and their employers. Any shortfall is made up by the Federal Government from tax revenues.

Assistance provided for continuing training and the other payments made by the Federal Institute of Labour are based on the insurance principle. The criteria governing assistance are therefore related primarily to the circumstances of the individual.

In 1986 the Federal Institute spent DM 4.5bn on continuing training (see Figure 25). Assistance granted to individual participants accounted for the bulk of this sum. In addition, the Federal Institute grants institutional assistance to continuing training providers, mainly for equipment and the development of courses. Institutional assistance, however, accounts for only a small fraction of total expenditure on continuing training, amounting to some DM 40m in 1986.

Figure 28 shows expenditure by the Federal Institute of Labour on post-initial training, retraining and on-the-job training by types of expenditure.

Maintenance allowances paid to participants in full-time courses account for the largest proportion of annual expenditure on continuing training. A smaller, though rising, proportion has been used to meet course expenses (refund of course fees, travel expenses, cost of learning aids, board and lodging, etc.).

Figure 28: Expenditure by the Federal Institute of Labour on further training, retraining and on-the-job training measures and the trend in enrolments in continuing training measures, 1975 - 1987

Year	Maintenance allowances	Further expenditure on post-initial training	Further expenditure on re-training	Further expenditure on on-the-job training grant	Total expenditure	Enrolments in further training, retraining and on-the-job training	Unemployed before enrolment
	DMm	DMm	DMm	DMm	DMm	'000	%
1975	1,991.4	373.9	118.0	40.8	2,524.1		
1976	1,426.7	287.8	117.4	42.6	1,874.5		
1977	771.0	217.1	117.2	51.6	1,156.9		
1978	744.0	291.2	157.9	76.5	1,269.6		
1979	1,179.8	375.1	199.9	120.3	1,875.1		
1980	1,497.8	484.0	268.1	186.1	2,436.1	246	43.3
1981	2,120.5	613.7	374.9	161.1	3,270.3	279	47.1
1982	2,186.4	627.5	439.9	70.3	3,324.0	265	55.0
1983	1,815.4	671.7	432.5	115.1	3,034.7	306	64.3
1984	1,784.2	806.5	444.3	122.7	3,157.6	353	66.0
1985	1,850.1	953.5	462.3	165.5	3,431.4	409	65.7
1986	2,301.1	1,272.2	563.9	285.1	4,422.2	530	66.0
1987	2,844.3	1,655.2	733.9	371.9	5,605.3	596	64.2

Source: Federal Institute of Labour

Figure 29 reveals significant fluctuations in maintenance allowances over time, which have been due to cuts under:

- the Budget Structure Act 1976,
- the Employment Promotion (Consolidation) Act 1982 and
- the Finance (Additional Provisions) Acts 1983 and 1984.

These Acts reduced the maintenance allowance rates, drastically in some cases, and/or the numbers eligible. This reveals a weakness of the financing of continuing training under the Employment Promotion Act: a procyclical pattern dependent on the Federal Institute's revenue. Despite rising unemployment, expenditure on full-time training schemes, which ease the pressure on the labour market, fell, sharply in some cases, because of the arrangements made to consolidate the budget. As a result of the Budget Structure Act this led to a halving of enrolments in such schemes in 1976/77 and to a further decline in 1982 (see Figure 23).

The ratio of maintenance allowances to training costs has changed significantly over the years. While maintenance allowances accounted for just under 80% of total expenditure in 1975, the figure is now down to less than 60%. Two factors have been largely responsible for this trend. They are both due to the growing concentration of labour market policy on the unemployed and problem groups in the labour market. Firstly, the maintenance allowance rates have been reduced from 90% of net remuneration to between 68 and 73% (depending on marital status). Secondly, with the focus on the unemployed, more people entitled to less than the full maintenance allowance have undergone continuing training in recent years.

4.2.2.2 Financing instruments

The activities of the Federal Institute of Labour are geared to the labour market policy objectives defined in the Employment Promotion Act. The aims of the labour market policy are to achieve and maintain a high level of employment, constantly to improve the pattern of employment and so to promote the growth of the economy. With these aims in mind, the

Federal Institute of Labour assists participation in continuing training measures, its specific objective being to improve the employment prospects of the jobless. Its policy is directed primarily at the supply side of the labour market. Through continuing training, the labour force is to adjust to structural changes at the workplace and the resulting qualification requirements. The main instruments with which the labour market policy seeks to achieve this are:

- post-initial training,
- retraining and
- on-the-job training (see Figure 12).

Gainfully employable people who are required to pay unemployment insurance contributions and who meet certain requirements (in particular, a minimum period of employment entailing liability to pay unemployment insurance contributions) or who are unemployed or in danger of becoming unemployed have a legal claim to assistance under the Employment Promotion Act when participating in continuing training measures.

Where financing instruments are concerned, the Employment Promotion Act makes a distinction between assistance for participation in "necessary" and "advisable" continuing training. The categories of expenditure financed are:

- maintenance allowances in the case of full-time measures and
- training costs.

Until the ninth amendment of the Employment Promotion Act entered into force on 1 January 1989, participants in "necessary" continuing training had a legal claim to a maintenance allowance when attending full-time courses and to the refund of all training costs. For participating in "advisable" measures they were entitled to certain flat-rate reimbursements of training costs, and maintenance allowances were granted only as loans. The ninth amendment replaced this legal claim to the refund of training costs with a provision which makes the volume of assistance pro-

vided dependent on the Federal Institute's budget. Only people who are unemployed or in danger of becoming unemployed continue to have a full legal claim to assistance while undergoing continuing training.

On the supply side a distinction should be made between two types of course eligible for assistance:

- "Open courses", which are designed by the providers and for which they take responsibility, must satisfy certain quality criteria laid down by the employment services to be eligible for assistance. Participants in such courses receive a partial refund of the training costs. Unemployed participants are refunded the training costs in full and receive a maintenance allowance instead of unemployment benefit when attending full-time courses.

- If there are no training schemes eligible for assistance in a given region of the labour market or if not enough courses are offered, the employment services commission training providers to run courses. These are known as "commissioned courses" to distinguish them from the "open" schemes. The employment services bear sole responsibility for the content of the courses, for the assignment of participants to them and for all the financing. This type of course is restricted to the continuing training of the unemployed.

4.2.3 Public authorities (Federal, Land and local government)

4.2.3.1 Financing volume

The official education budget in 1986 included expenditure of DM 3.2bn by the public authorities on continuing training. In line with the breakdown of the financial statistics it covered expenditure - in some cases proportional only - on:

- adult education centres
- in-service training of teachers
- employer-sponsored and inter-company initial and post-initial training
- assistance for political education
- libraries
- vocational and specialized academies
- other continuing training.

Figure 29 shows expenditure by the public authorities on continuing training at current prices in selected years since 1970. The breakdown of this expenditure among the regional administrative authorities (Federal, Land and local) is shown in Figure 30 in absolute and relative terms.

Figure 29: Expenditure by the public authorities on continuing training (at current prices)

Year	DMm	% of public education budget	% of total public budget	% of national product
1970	581	2.1	0.3	0.06
1975	1054	1.9	0.3	0.10
1980	2291	3.0	0.5	0.16
1985*	2951	3.5	0.5	0.16
1986*	3137	3.5	0.5	0.16
1987*	3300	3.5	0.5	0.16

* Estimate

Source: Federal and Land Commission for Educational Planning, from: Federal Ministry of Education and Science, Grund- und Strukturdaten

The education budget makes no distinction between continuing training and continuing education. The proportion for which continuing training accounts cannot be reliably estimated. Furthermore, the figures do not

Figure 30: Expenditure by the public authorities on continuing training

Year	Federal abs.	%	Länder abs.	%	Local abs.	%	Total
1970	34	5.9	154	26.5	394	67.1	581
1975	149	14.1	465	44.1	440	41.7	1,054
1980	534	23.3	913	39.9	845	36.9	2,291
1985	742	25.2	1,177	39.8	1,023	35.0	2,951
1986	737	23.5	1,271	40.5	1,129	36.0	3,137
1987*	769	23.9	1,306	40.6	1,141	35.5	3,216

* Estimate

Source: Federal and Land Commission for Educational Planning, from: Federal Ministry of Education and Science, Grund- und Strukturdaten

include all state expenditure on continuing training. As a result of its narrow definition of continuing training, the education budget largely consists of subsidies to training institutions. In 1977 the Working Group for Empirical Research on Education in Heidelberg examined public budget estimates for concealed expenditure on continuing training and found funds in other budget items amounting to half as much again as those shown by the Federal and Land governments (MÜLLER/SCHÖLER 1980).

Apart from estimates for the in-service training of teachers shown in the budget of the Ministry of Education and Science, the cost of continuing training for public servants (the employer-sponsored continuing training of the public service, as it were) is not included in the education budget. However, according to a survey conducted by BSW, public servants are particularly active participants in continuing training. An accurate statement on the costs borne by the state, and particularly the indirect cost of the continued payment of salaries, which would have to be considered to permit a comparison with the costs borne by the private sector, cannot therefore be made.

4.2.3.2 Financing instruments

To assist continuing training, the public authorities have two ways of providing funds, with which different opportunities for controlling and shaping such training are associated:

- Through supply-side financing institutions and their work are subsidized, the cost of providing training being wholly or partly borne by the state (institutional assistance). Free or subsidized courses are offered in the expectation that there will be sufficient demand from people who could not participate if prices had to cover all costs.

- Demand-side financing makes the (potential) participant financially stronger, thus enabling him to buy training courses. To ensure that this financial strength is used for its intended purpose, continuing training, it can be provided in the form of vouchers or tax relief.

While the Federal Institute of Labour finances the demand side by assisting individuals, Federal, Land and local government allocate almost all the money shown in the education budget as institutional assistance. The Federal Government finances continuing education and training, for example, by assisting small and medium-sized firms, the Federal Centre for Political Education and special programmes. The Länder are responsible for vocational schools at which continuing training is also provided (e.g. schools for technicians). Under their legislation on continuing education and training they also finance recognized training providers, i.e. adult education centres run by local government and non-profit institutions. The courses co-financed by the Länder are largely confined to continuing education. However, the institutions have recently been stepping up their activities in the continuing training sphere. It is difficult to estimate what proportion of the DM 1.3bn spent by the Länder on continuing education and training in 1988 went to continuing training.

Under the persistent pressure of high unemployment the Länder have also established special vocational training programmes. The total amount

spent on all these programmes in 1987 is estimated at DM 200m (LERCH/ MÜLLER 1988, p. 4).

By financing the supply side, the authorities have a direct influence on the scale, nature and content of training activities. There are, for example, criteria at all levels which a provider must satisfy before he can obtain public assistance (minimum number of teaching hours, proportion of full-time personnel, etc). Funding can thus be used to ensure that providers of continuing training maintain certain minimum standards.

The income tax legislation provides for indirect co-financing of continuing training by the state. Expenditure on continuing training can be deducted from taxable income either as "professional expenses" or as "special allowances". The state thus reimburses the individual participant for his expenses up to the level of the tax rate applicable to him. This could be described as ex post demand-side financing. It is not shown in the education budget, and the sums involved are again unknown.

4.2.4 Participants

4.2.4.1 Cost determinants

The individual participant's expenditure on continuing training can be broken down into the following items: widely varying course fees, travel expenses, board and lodging, etc., which together form gross costs. He is reimbursed for all, some or none of these expenses from the public purse or by his employer. After this reimbursement has been deducted from gross costs, he is left with a proportion which he must fund himself, net costs.

Two factors largely determine the costs incurred by the participant. The first is the distance between his place of residence and the place where he receives instruction. Above all, this factor determines travel expenses. The greater the distance, the more likely it is that the cost

of accommodation and the (increased) cost of board away from home must be added. The second factor is the type of instruction. Distance studies, for example, give rise to different costs from those associated with live instruction. Thus the course fees for distance studies pay for learning materials in written and perhaps cassette form, which become the property of the student.

The type of instruction also determines costs incurred through loss of earnings or income when a full-time course is attended. This is the most onerous cost factor and poses the most serious financing problem. In the language of educational economics losses of income are usually known as "opportunity costs". In the education and training of young people these opportunity costs are no more than a hypothetical quantity, since their living costs are met by their parents or offset by training allowances and are not included when the monthly budget is calculated. Adults, on the other hand, normally finance their living costs themselves. While in continuing training, they cannot manage without income or any major part of it. The costs concerned must therefore be borne by others. This is achieved through the continued payment of the wages and salaries to the employed and the payment of maintenance allowances to the unemployed. The restriction of employer-sponsored continuing training to short periods, to certain groups of employees and to subject matter relevant to the firm concerned is not least due to the burden of these costs. The cost of longer-term measures in which more comprehensive training objectives are pursued and the skills acquired can be used in other firms is passed on to the general public since it is financed by the Federal Institute of Labour.

Whether participants in continuing training have to pay course fees that cover part or all of the costs or no fees at all depends on the continuing training provider's position in public or private law and on the extent to which he receives institutional assistance. The question of individual assistance, especially where it is provided by the Federal Institute of Labour, also plays a decisive role in this context.

A survey of the cost of continuing training to the individual (BERGNER 1985), which examined only a small proportion of long-term and thus cost-intensive courses, shows that participants' gross and net costs differ widely even when they are attending the same course. The public assistance provided for continuing training (under the Employment Promotion Act) does not reduce the difference in participants' gross costs to such an extent that the net cost of a course to them becomes largely the same: participants living in large urban areas have a significant cost advantage over those living in rural areas or small towns, which cannot offer a wide range of continuing training opportunities.

The absence of data makes it impossible to indicate how much individuals spend on continuing training. This aspect is not adequately covered by statistics or even by occasional sample surveys. However, expenditure by individuals is probably high: three quarters of participants in continuing training stated in a sample survey that they had not received any direct financial assistance for courses they had attended in the previous five years.

4.2.4.2 Financing instruments

Besides being able to obtain individual assistance and reimbursements as described above, participants in continuing training can draw on their own income and assets. Under the heading of individual assistance they can also obtain a loan from the Federal Institute of Labour for "advisable" full-time courses. Loans cannot be raised on the open capital market because of the specific nature of training and the lack of security. Other forms of loan financing with government guarantees and/or grants are as unknown in the continuing training sector in the Federal Republic of Germany as government-subsidized saving for training (appropriately tied).

The individual has funds of his own to spend on continuing training to the extent that his current income and/or assets exceed his current

essential living costs. He can spend his disposable cash resources not only on continuing training but also on a wide range of consumer goods. He will be guided in his choice by his ideas on the benefits to be gained, and the benefit of continuing training has to compete with that to be gained not only from consumer goods but also from continuing general and political education.

For individuals expenditure on continuing training is an investment (in human capital) even though many are unaware of this. Although they will not as a rule carry out an accurate cost-benefit analysis, they will spend their own money, or money they can obtain in the form of individual assistance, on continuing training only if they believe it will make them more successful at work. Success in this context means not only a hoped-for advancement: at a time of changing qualification requirements it may also mean safeguarding the individual's present position. Demand for continuing training among individuals is clearly dominated by upgrading training courses that lead to the award of recognized certificates and are designed to ensure success at work (see section 3.2.4). These courses focus on subjects in which knowledge of the use of new process, control and communication technologies is taught (see section 3.2.3).

5. Specific problems connected with the cost and financing of continuing training in the Federal Republic of Germany

5.1 Effects of the demographic trend in the Federal Republic of Germany on initial and continuing training

The long-term population trend in the Federal Republic of Germany features both a general decline (1986 = 61.1m; 2000 = 60.6m; 2020 = 54.8m; 2040 = 44.8m) and major shifts.[1]

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1 Data obtained from: Deutsches Institut für Wirtschaftsforschung (DIW), Wochenbericht 32/88, Zur langfristigen Entwicklung der Bevölkerung in der Bundesrepublik Deutschland, Berlin, 11 August 1988

The proportion of the total population under 20 years of age will fall from 22% in 1986 to 20% in 2000 and 15% in 2040. In absolute terms this group of 13.5m people in 1986 will be reduced to 6.7m in 2040. While foreigners accounted for 11% of the group under 20 in 1986, the German Institute for Economic Research (DIW) predicts a rise to about 18% in 2040 because of different rates of reproduction.

The structural shifts among the various age groups, the ratio of the gainfully employed to pensioners and the rising proportion of foreigners in the total population have implications for initial training and the continuing training system. Given the major structural shifts, changes in financing arrangements are also likely or must be required if continuing training is to remain proficient in the longer term.

Initial training

A reduction in the number of young people wanting training places by a third to a half within the space of only 10 to 15 years is bound to lead to changes in recruitment by firms that provide training. Training and working conditions in the various occupations and how attractive applicants for training places consider them to be will determine whether and to what extent firms succeed in meeting their need for new workers through initial training. The rearrangement of the metal-working and electrical engineering occupations which has just been approved has created a satisfactory basis, especially for the larger and medium-sized industrial firms in these sectors, for meeting the need for new workers through training measures in the medium as well as the short term. In some segments of the craft sector the situation will become very serious in only about five years' time. The obstacles that problem groups of young people (school drop-outs, foreigners and, in a number of occupations, girls) have encountered in the past will be removed.

The problems connected with the recruitment of new skilled workers are most likely to be alleviated if the public monitoring agencies succeed in enforcing current initial training quality standards with a view to removing from the market firms that try to meet their need for personnel

below skilled worker level for a limited period by providing training under the dual system. Only then will it be possible to overcome the still justified suspicion with which young people view training in some segments of the dual system.

Continuing training

Given the demographic trend in the coming 10 to 20 years, various factors point to the need both to step up and to restructure continuing training. With the numbers seeking their first jobs each year in decline and a corresponding decline in the working population from about 2020, the need to make optimum use of the existing labour force increases.

In only about 5 to 10 years from now, unless major efforts are made in the continuing training sector, there will be a skill gap between young people trained in the new metal-working and electrical engineering occupations and employees in these two sectors whose training was based on far narrower definitions of their occupations and less stringent qualification requirements.

With the labour force shrinking, there are four groups in particular whose skill levels could be raised if the continuing training system was appropriately restructured:

1. People born in years when the birth rate was high who either received no training by the dual system because of the tight situation in the initial training market or were trained in an occupation in which they had no chance of finding jobs and which many have since abandoned.

2. The proportion of working women can be significantly increased. Given appropriate conditions, the skills of many women can be improved through continuing training. Opening up areas of employment in which women can actually use their improved skills is crucial. This will be a task for the labour market policy from about the year 2000.

3. Participation by the employees of small and medium-sized firms in continuing training must be increased in the very near future. Sample surveys show that participation in continuing training in the craft sector was below the general average for the gainfully employed from 1980 to 1985 (15% as against 23%).

4. According to the longer-term forecast of population trends, the proportion of gainfully employed foreigners will rise sharply even if immigration stops. As the proportion of unskilled workers in this group is more than twice as high as among gainfully employed Germans, continuing training has an important task to perform in improving the skills of these workers.

On the whole, short-term evening or weekend courses dominate in small and medium-sized firms. This imposes strict limits on the use of intensive forms of learning that go beyond lectures and seminars. It also means that the opportunities for the teaching of more profound skills (thinking in terms of systems, dealing with customers, social competence, innovation management) are very limited.

However, continuing training activities in small and medium-sized firms can be stepped up only if the present financing arrangements are adjusted to meet the growing needs.

5.2 Polarization in continuing training

The organization and financing of continuing training in the Federal Republic of Germany have exacerbated the unequal distribution of training opportunities in the last few decades. Only in exceptional cases has continuing training been able to compensate for shortcomings in initial training. Most of those taking advantage of continuing training opportunities have had an above-average education and initial training and now have above-average incomes.

The continuing training arranged and financed by firms has not yet succeeded in overcoming this polarization:

* Most of those delegated by firms to undergo continuing training are managers (about 65% of all managers attend a course of employer-sponsored continuing training at least once a year), commercial salary-earners (40%) and technical salary-earners (40%), little interest being taken in - and little money spent on - the training of workers who did not complete their initial training (2%).

* Although unemployed skilled workers, at one third, and people without formal training, at one fifth, were relatively well represented in publicly assisted, predominantly off-the-job continuing training in 1985, they were still underrepresented when their share of the total labour force is considered.

* This polarization is further exacerbated by the highly disparate quality of the courses attended by the various groups of employees. While continuing training for managers usually takes several days, it is reduced to a few hours a year for the lower categories of employees.

There is consequently a growing danger in continuing training not only of a division of tasks but also of a split between the employed and the unemployed:

* While employer-sponsored continuing training is almost entirely devoted to employees, publicly assisted continuing training has increasingly become a form of training for the unemployed: while only about 6% of all people assisted under the Employment Promotion Act were unemployed before attending a course in 1973, the proportion had risen to over two thirds and, in some cities, to over four fifths in 1987.

The danger posed by this split is that the transition from long-term unemployment to employment will become increasingly difficult, even after training.

5.3 Determining the efficiency of continuing training measures, and burden-sharing

Continuing training is a social subsystem closely related to other aspects of society, especially employment. It is not an end in itself, but a means of achieving social and economic objectives. As the resources used for this purpose are scarce, they must be used economically. The call for economy concerns not only the allocation of actual resources but also the financing system, if it can be assumed that there is a link between financing and economy. The relationship between performance and expenditure (allocative efficiency) comprises:

- external efficiency: efficiency in terms of the scale and structure of training activities. It relates particularly to the teaching and provision of skills to meet the demand for workers and so to the coordination of training and employment;

- internal efficiency: efficiency in terms of the provision of training in individual firms.

The criteria of allocative efficiency can be considered both in isolation and in the context of training and social objectives, e.g. improving training prospects, tapping training resources (effectiveness).

Social policy calls for distributive efficiency, i.e. the fair distribution of financial burdens among the real incomes of individuals and social groups.

Although the various efficiency criteria can be defined, measurement is extremely difficult, posing sometimes insurmountable problems where methodology and survey techniques are concerned. Defining and measuring the input, expenditure, causes the least serious problems, although even the identification of factor inputs to cost categories is not easy. It is difficult, for example, to incorporate differences in the skills of

teachers and the resulting differences in the quality of teaching. They are not necessarily reflected in differences in teachers' remuneration.

The difficulties encountered in recording and valuing output begin with the frequent impossibility of accurately defining output. The outcome of training processes is simply not a product for which a given price is paid in the market. The skills acquired by people in the training process cannot be reliably measured despite all the test methods. Furthermore, it is virtually impossible to transform them into quantities that can be operationalized, measured and assigned to economic categories. In many cases the only solution is to substitute such measurable indicators as the number of examinations passed and contracts of employment concluded.

Measurements of efficiency are meaningful only if different degrees of efficiency can be established in a comparison of different forms of training. This is most likely to succeed in the case of internal efficiency if the input factors are known, the valuation standards for the processes to be compared are the same and there is agreement on the output and its valuation. It is virtually impossible, on the other hand, to cover distributive efficiency. Only plausibility statements can be made in this case.

The human capital theory makes the connection between training and income, in which external efficiency is reflected, by proceeding from two central assumptions:

- Training imparts economically relevant knowledge, skills and behaviour, making the worker more productive, an asset which can be exploited in the labour market.

- There is a direct link between the worker's productivity and his remuneration.

The link between training and income is a "black box": it is taken for granted in economic theory and not explained. The influence of training on income cannot be separated from other factors with which it is associated, such as talent, social origin, sex, race, place of residence and the quality of the school attended.

Fair burden-sharing (distributive efficiency) is a social task which falls to the state as a community to perform, since an economic system organized along purely private lines is unable to cope with it on its own. Government financing of training activities is one way of helping to achieve a fairer distribution of training opportunities and, consequently, income opportunities. As continuing training is expected to have favourable effects on income, selective promotion of continuing training for groups who lack training is commensurate with the goal of a fair distribution of incomes.

5.4 Combining general and vocational learning

Vocational learning increasingly presupposes a good basic education (languages, mathematics, knowledge of economic and social linkages). Some large firms have organized their training accordingly. As a rule, however, neither employer-sponsored nor off-the-job arrangements for releasing employees and financing their training take account of the need to combine education and training.

* Continuing training arranged and financed by firms normally concerns aspects which are of direct interest to the firm or are directly associated with the workplace, (e.g. instruction on the operation of a machine), especially where it is intended for the lower categories of employees.

* Many employees are unable to take advantage of their legal right to participate in continuing political education during educational leave for fear of the disadvantages that may ensue.

* As a rule, measures assisted by the Federal Institute of Labour enable only people under 25 to make good shortcomings in their education.

* Foreign employees are able to learn German only in conjunction with a course of predominantly vocational training, even when there are no discernible shortcomings in their training.

The authorities and ministries responsible for the funding of general or political continuing education also make sure that there is no "mixing" of subject areas.

This strict division of financial responsibilities has resulted in different and, as a rule, non-cooperating institutions and providers of political and general continuing education on the one hand and of continuing training on the other.

5.5 Dependence on equipment manufacturers in continuing training

As has already been pointed out elsewhere, large firms and small and medium-sized firms differ widely as regards the extent to which advantage is taken of employer-sponsored continuing training.

Various studies carried out in the Federal Republic of Germany indicate that, given the high level of hard-core unemployment, small and medium-sized firms, with their comparatively flexible means of adjusting to changing market conditions, will be in the best position to stabilize or even increase employment in the coming decades.

However, these specific advantages will have an impact only if the owners of small firms, the management of medium-sized firms and their employees are highly skilled.

In view of the prominence of updating training in this sector it is not only the generally more limited use made of continuing training measures

by these firms that causes concern: also problematical is the empirical finding that their employer-sponsored updating training largely consists of courses run by the manufacturers and distributors of the new technologies.

As early as 1984 81% of all firms were attempting to cope with changes in the data processing field, for example, by arranging for most continuing training to be provided by the manufacturers. In firms with between 100 and 200 employees the figure was even as high as 89%.

The consequences of such "training", which is admittedly cheap, are obvious. The courses are usually restricted to a brief introduction to the operation of the new equipment and machines. Alternative technologies of rival manufacturers are not covered. In fact, manufacturers try to use these introductory courses to make firms dependent on them to some extent. Employees are taught to operate new technologies without any regard for the training they need in their use in the context of the organization of work.

Neither individuals nor public bodies have much say in what such training should comprise, how long it should last or who should participate. Firms would be well advised to sever their dependence on manufacturers for continuing training when new technologies are introduced and to teach far more than mere operating skills.

Government technology promotion programmes should be geared more closely to small and medium-sized firms than they have been in the past and include continuing training as a compulsory component. Where the introduction of new technologies into firms is assisted by the state, updating training should be provided for all groups of employees in a form that is closely linked to the firm.

6. Means of influencing the financing of continuing training

Continuing training is too complex and too unlike an integral system for a comprehensive appraisal of options for its organization to meet future requirements to be attempted in these concluding observations. Instead, the following briefly outlines five target aspects. It is explained in each case how current financing instruments obstruct the achievement of the target and how the weaknesses of the present mechanisms might be overcome.

Target aspect 1

"Continuity in the promotion of continuing training forms the basis for the development and expansion of an efficient infrastructure."

Problems:

The trend so far reveals major fluctuations in the promotion of continuing education and training. Assistance provided under the Employment Promotion Act has been particularly prone to "stop and go" because of the Federal Government's budget problems. However, even where continuing education and training is assisted with grants from public budgets (e.g. the adult education centres from local government budgets), there is a lack of continuity. Not enough information is available for much to be known about the dependence of employer-sponsored continuing training on the economic situation, but here again cyclical constraints are likely to have an impact on continuing training activities, especially in smaller firms.

The lack of consistency makes it difficult for providers to plan with any certainty, because they do not know what the future will bring. Consequently, they are often forced to eschew courses which would entail large investments and fully occupy institutions for long periods, as in resource-intensive training in industrial technology. The providers'

uncertainty about the future thus results in gaps in the range of training and deficiencies in the continuing training infrastructure. However, institutions and courses may also be used uneconomically when - in connection with the retrenchment phase, for example - capacities which have been quickly increased have to be quickly reduced again.

For those interested in training the lack of continuity in assistance means that their training options are restricted; even for those who are already participating the conditions attached to assistance - especially under the Employment Promotion Act - have become steadily less favourable. This seriously weakens motivation and achievement-oriented attitudes towards training. During the current retrenchment phase, for example, commissioned courses for the unemployed are being cut back so that savings may be made quickly; the already large hard core of inadequately trained long-term unemployed thus continues to grow.

Measures:

- Continuing training assisted under the Employment Promotion Act:

  Some of the contributions paid by employers and employees and any Federal grants that may be needed should be earmarked for the promotion of continuing training. The volume of these funds should be in a set proportion to the numbers of unemployed and employed.

- Employer-sponsored continuing training

  The training of employees can proceed according to plan and continuously on the basis of company and collective agreements.

Target aspect 2

"Rates of assistance related to earned income act as an incentive to undergo continuing training and improve the endurance of problem groups."

Problems:

Assistance paid to the unemployed that is related to the level of earned income is not only an incentive but also one of the main requirements for successful participation in longer-term measures. Research findings of the Federal Institute for Vocational Training have shown, for example, that participants assisted under the Employment Promotion Act suffer primarily from financial problems. Particularly for those unaccustomed to learning whose income was low even before they began continuing training a maintenance allowance that is only slightly higher than unemployment benefit is a major disincentive to starting a course of continuing training or successfully completing a long period of demanding training. It seems likely that the comparatively small numbers of poorly qualified long-term unemployed people undergoing training with assistance under the Employment Promotion Act can also be attributed to these financial barriers.

Rates of assistance that are related to earned income make it clear that what is achieved in training must be regarded as equivalent to what is achieved at the workplace and must be appropriately rewarded.

An added factor is that people unaccustomed to training usually find continuing training more strenuous than routine work.

Measures:

- The maintenance allowances granted to participants in continuing training under the Employment Promotion Act should be significantly higher than unemployment benefit.

- The introduction of a minimum maintenance allowance would particularly benefit people whose income was low before they became unemployed (especially women) and who would not therefore receive appropriate assistance when attending a course of continuing training.

Target aspect 3

"Release from work for training purposes - a requirement for regular participation in continuing training throughout working life."

Problems:

Even now continuing training takes up a great deal of the participants' time. If the pressure to undergo training continues to grow in the future, there will be no avoiding regulated release from work for training purposes; this is particularly true where people unaccustomed to learning and less achievement-oriented groups are included in continuing training activities.

The trend so far shows that, although over two thirds of all courses are already held completely or partly during working hours, the release of the various categories of employees differs very widely in practice; little advantage is taken of the right to be released from work for, say, educational leave.

The right to be released from work is still too limited for continuing training to become a natural and regular requirement in working life. If there is to be any increase in the release of employees from work, a crucial requirement in the future will therefore be that the individual is called upon to join in the decision-making on the use and distribution of his training periods throughout his working life.

Measures:

The release of all employees from their work for training purposes needs to be progressively increased, especially under collective agreements. It will also be necessary for the state - having due regard for collectively agreed arrangements for employees to be released from their work - to ensure that employees are guaranteed a minimum of equal treatment (the assessment of an employee's total claim to be released from work is

currently based on a period of three years - one month per year - for a working life of 40 years).

Target aspect 4

"Assisting the individual participant in continuing training increases the efficiency of learning and makes for a varied, high-quality range of courses."

Problems:

Empirical findings show that even now one in two people undergoing continuing training does so at the instigation of his employer or the employment services. This "heteronomy" may seriously impair the efficiency of the participant's learning: he himself is not challenged to define his learning needs or to evaluate and select courses offered in the continuing training market. To make the would-be participant more independent, the public authorities should therefore assist continuing training principally by financing participants, as is the case with continuing training assisted under the Employment Promotion Act.

Measures:

- Where continuing training is financed from public budgets, assisting individual participants should have priority over the financing of providers.

- Tax concessions - especially the deduction of continuing training costs from the tax liability up to a given level (rather than from taxable income) - may act as a major incentive to employees to undertake continuing training activities on their own.

Target aspect 5

"To ease the burden on the curative assistance provided under the Employment Promotion Act, every opportunity to provide preventive assistance for continuing training should be seized."

Problems:

Since the mid-1970s the assistance provided under the Employment Promotion Act for the continuing training of the unemployed has served a primarily curative purpose. In contrast, assistance for the gainfully employed, which is preventive, has been greatly reduced.

The financing mechanisms have thus contributed to a division of labour between continuing training assisted under the Employment Promotion Act and employer-sponsored continuing training: while preventive employer-sponsored continuing training is concentrated on members of the workforce above skilled worker level, the curative assistance provided under the Employment Promotion Act is mainly geared to the reintegration of the unemployed.

The present "retrenchment phase" of assistance provided under the Employment Promotion Act shows that curative training can no longer be financed on its present scale. Furthermore, the success of this assistance needs to be qualified (given, for example, the relatively small numbers of the long-term unemployed and poorly trained involved, the high drop-out risks and rates and the high level of expenditure on teaching).

This being the case, the main aim must be to redistribute tasks between continuing training assisted under the Employment Promotion Act on the one hand and employer-sponsored and individual continuing training on the other.

Measures:

Above all, every opportunity for preventive continuing training must be seized. This means in particular that more of the categories of employees of whom little or no account is now taken must be included in employer-sponsored continuing training (on the basis of collectively agreed arrangements). With the burden thus eased, more of the assistance provided under the Employment Promotion Act could again be devoted to preventive training tasks, which it has a public responsibility to perform, in addition to the curative tasks it undeniably has to undertake.

- Collectively agreed arrangements, especially for the inclusion of categories of employees below skilled worker level, who are not adequately considered at present;

- support for firms which train employees about to be made redundant (training rather than dismissal);

- tax concessions for individual continuing training.

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Siegfried Bergner *Uwe Grünewald*
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CEDEFOP Document

Luxembourg: Office for Official Publications of the European Communities

1992 — XIV, 105 pp. — 21.0 x 29.7 cm

ISBN 92-826-3637-2

Catalogue number: HX-60-91-539-EN-C

Price (excluding VAT) in Luxembourg: ECU 7

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Price (excluding VAT) in Luxembourg: ECU 7

ISBN 92-826-3637-2

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